

City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



MANAGEMENT AUDIT

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Deputy Comptroller for Audit

Audit Report on the Human Resources
Administration's Monitoring of the
Homebase Program

MD18-139A

January 22, 2020

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

January 22, 2020

To the Residents of the City of New York:

My office has audited the Human Resources Administration (HRA) to determine whether it has adequate oversight over its Homebase Homelessness Prevention (Homebase) Program. We perform audits such as this as a means to ensure that City agencies have established adequate controls over programs to ensure that services paid for are being provided.

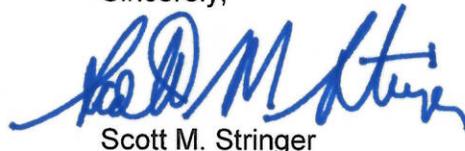
The audit concluded that HRA has inadequate oversight over the Homebase Program. HRA did not consistently conduct reviews of Homebase providers' case files, did not perform timely fiscal reviews of providers, and did not ensure timely submission by the providers of their audited financial statements. Further, the Department of Social Services (DSS)—as the agency responsible for overseeing HRA—did not consistently follow its procedures for the issuance and recoupment of advance payments made to providers. As a result, as of March 6, 2019, DSS had failed to recoup \$2,271,797 in advance payments for seven contracts that were closed out in October 2017. In addition, the audit found inaccuracies and inconsistencies in HRA's Homebase reporting, including clients recorded with incorrect family types and funding sources. Finally, the audit noted that HRA does not track clients who return to the Homebase program for assistance, which could be a useful tool for measuring the effectiveness of Homebase services.

To address these and other issues, the audit made 19 recommendations, including that HRA should: improve its monitoring controls to ensure that it conducts two formal case file review cycles annually; ensure that fiscal audits of Homebase providers are conducted on a timely basis; ensure that providers promptly upload copies of their certified financial statements; implement and enforce procedures to track the issuance and recoupment of Homebase advance payments; ensure that recoupments for advance payments are made in a timely manner; and consider tracking the number of clients who return to the Homebase Program.

The results of the audit have been discussed with HRA officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,



Scott M. Stringer

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CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Human Resources Administration's Monitoring of the Homebase Program

MD18-139A

EXECUTIVE SUMMARY

The objective of this audit was to determine whether the Human Resources Administration (HRA) has adequate oversight over its Homebase Homelessness Prevention Program.

The mission of the New York City (City) Human Resources Administration/Department of Social Services (HRA/DSS) is to fight poverty and income inequality by providing food and emergency rental assistance to City residents in need of such assistance. DSS is comprised of the administrative units of HRA and the Department of Homeless Services (DHS).¹

HRA's Homebase Homelessness Prevention Program (Homebase), started in 2004 under DHS, is structured as a neighborhood-based homelessness prevention network with 26 locations across the City's five boroughs. Homebase offers a range of services and is designed to provide personalized assistance to families at risk of homelessness and help them develop plans to overcome an immediate housing crisis and "achieve housing stability."

Homebase primarily serves households whose income is below 200 percent of the federal poverty level for families with children or 30 percent of Area Median Income for adult households who are at risk of homelessness or who have recently left the shelter system.

In January 2017, the administration of Homebase was transferred from DHS to HRA and in October 2017, HRA began to enter into new Homebase contracts with the Homebase service providers. These new Homebase contracts require most of the same deliverables as the contracts that had previously been entered into by DHS.

Currently, HRA has Homebase contracts with seven non-profit organizations: Help USA; Bronxworks; Catholic Charities Community Services Archdiocese of NY (ARCHNY); Catholic Charities Neighborhood Services (CCNS); CAMBA; Rise Boro Community Partnership; and SUS Urgent Housing Programs. These organizations had 27 individual contracts with HRA or DHS

¹ HRA is responsible for the administration and monitoring of the Homebase program. DSS is responsible for issuing and recouping advance payments, the computer system used by Homebase and reporting indicators. Accordingly, we refer to and make recommendations to both HRA and DSS throughout the report.

during the audit scope period. Eleven contracts were entered into when the program was run by DHS and 16 contracts were entered into by HRA in October 2017.

For Calendar Years 2018 and 2017, DSS reported total expenses for the Homebase program of \$53,720,899 and \$53,086,273, respectively. The City Tax Levy portion of these amounts for 2018 and 2017 were \$27,684,745 (52 percent) and \$27,054,090 (52 percent), respectively.

Audit Findings and Conclusion

The audit found that HRA has inadequate oversight over the Homebase Program. We found that HRA's reviews of Homebase providers' case files were not consistently performed or reviewed. In the limited number of case file reviews that HRA *did* conduct, HRA reviewers frequently raised concerns about missing documentation and client program eligibility, which suggests that regular and more frequent reviews were needed. Moreover, in the sample of Homebase provider case files reviewed in connection with the audit, we found deficiencies similar to the ones identified by HRA during its case file reviews. These included incomplete proof of income documentation and missing financial assistance documentation. In addition, we found deficiencies in the providers' documentation of services they provided. We also found that HRA's exception and case service level override policies were not adequately documented in written policies or clearly communicated to providers.

In addition, we found a weakness in HRA's file review methodology in that providers were given advance notice of the files that would be reviewed. Such notice undermines the effectiveness of the reviews because it allows providers the opportunity to belatedly create required documentation that had not been maintained in the ordinary course of business.

Further, the audit found that HRA did not perform timely fiscal reviews of providers and did not ensure timely submission by the providers of their audited financial statements. In addition, DSS—as the agency responsible for overseeing HRA and DHS—did not consistently follow its procedures for the issuance and recoupment of advance payments made to providers. As a result, as of March 6, 2019, DSS had failed to recoup \$2,271,797 in advance payments for seven contracts that were closed out in October 2017. Further, providers failed to make timely submissions of their year-end close-out reporting for 12 contracts.

Additionally, we found inaccuracies and inconsistencies in HRA's Homebase reporting. In particular, we identified instances where clients were recorded in DHS' Client Assistance and Rehousing Enterprise System (CARES) with incorrect family types and funding sources. These problems impede HRA's ability to accurately determine clients' program eligibility and the length and types of services they should be provided. We also found that HRA did not appropriately include all single adults who return to shelter in the number of returning single adults that it reported in the Mayor's Management Report (MMR).²

Finally, under Other Matters, we found that HRA does not fully track clients who return to the Homebase program for assistance. Such tracking could help HRA to better evaluate the effectiveness of its Homebase programs and providers, as well as provide critical information to the City for an overall assessment of the effectiveness of its programs to reduce homelessness.

² The Mayor's Management Report, which is mandated by the City Charter, serves as a public account of the performance of City agencies, measuring whether they are delivering services efficiently, effectively and expeditiously.

Audit Recommendations

Based on the audit, we make 19 recommendations, including:

- HRA should improve its monitoring controls to ensure that it conducts two formal case file review cycles annually and should ensure that its case file review summaries are reviewed for accuracy and sent to the providers timely.
- HRA should not give providers advance notice of the case files to be reviewed.
- HRA should ensure that fiscal audits of Homebase providers are conducted on a timely basis.
- DSS should implement and enforce procedures to track the issuance and recoupment of Homebase advance payments, including but not limited to: conducting monthly reconciliations of advance payments to the recoupment records; establishing an advance payment tracker; and reconciling advance payment information from HHS Accelerator and FMS.
- DSS should ensure that recoupments for advance payments and year-end close-outs are made in a timely manner, and that remaining outstanding advances are deducted from close-out invoices in accordance with its Fiscal Manual.
- DSS should make every effort to recover the outstanding advance payment amounts for the closed contracts identified in the audit.
- HRA should ensure that providers promptly upload copies of their certified financial statements into the City's database used to process provider's financial information in accordance with their contract requirements.
- DSS should ensure that CARES has proper validation rules to prevent clients from being assigned to incorrect funding type, family types, or service levels.
- DSS should strengthen its controls over the calculation of the retention data to ensure that the criteria set are consistent and the figures reported in the MMR are accurate.
- HRA should consider tracking the number of clients who return to the Homebase Program after their cases are closed.

Agency Response

In its response, HRA agreed with five recommendations (#s 2, 11, 12, 17, and 18) and partially agreed with eight recommendations (#s 1, 3, 4, 10, 13, 14, 15, and 16). HRA disagreed with the need for the remaining six recommendations that it track the issuance and recoupment of advance payments (#5); ensure that recoupments for advance payments and year-end close-outs are made timely (#6); ensure that modified recoupment schedules are documented and adhered to (#7); recover outstanding advance payments (#8); and ensure that first advances are recouped before second advances are recouped (#9). Officials argued that these recommendations reflect the agency's current practices. HRA also disagreed that it should consider tracking the number of clients who return to the Homebase Program (#19).

Throughout its response, HRA challenged many of the audit's findings. Unfortunately, in doing so, HRA makes numerous inaccurate statements, misrepresentations and critical omissions. To address these issues, we include a detailed discussion of the HRA response in Appendix II of this

report. After carefully reviewing HRA's arguments, we find no basis to alter any of the report's findings or conclusions.

INTRODUCTION

Background

The mission of HRA/DSS is to fight poverty and income inequality by providing food and emergency rental assistance to City residents in need of such assistance. DSS is comprised of the administrative units of HRA and DHS. HRA is the nation's largest social services agency and is tasked with assisting over three million low-income and vulnerable New Yorkers annually through the administration of major public benefits programs.

Homebase, started in 2004 under DHS, is structured as a neighborhood-based homelessness prevention network with 26 locations across the City's five boroughs. Homebase is designed to provide personalized assistance to families at risk of homelessness and help them develop plans to overcome an immediate housing crisis and "achieve housing stability." In furtherance of these goals, Homebase offers a range of services, including assistance obtaining public benefits, emergency rental assistance, education and job placement, financial counseling, including on money management, and short-term financial assistance.

Persons at risk who may be eligible for Homebase services include community residents who have never had any housing issues in the past; families and individuals who exited from a shelter and need support maintaining stability in the community; and anyone looking to improve their ability to maintain employment and financial stability to ensure that they can continue to remain in a stable housing situation. Homebase primarily serves households whose income is below 200 percent of the federal poverty level (based on family size) for families with children or 30 percent of Area Median Income for adult households who are at risk of homelessness or who have recently left the shelter system.

In January 2017, the administration of Homebase was transferred from DHS to HRA and in October 2017 HRA began to enter into new Homebase contracts with service providers. Homebase contracts for the provision of services that have subsequently been let by HRA largely contain the same deliverables as the contracts that had previously been entered into by DHS. Additionally, a majority of the staff that oversaw the program while it was under DHS' administration—including the Associate Commissioner, Director of Prevention and Community Support, Director of Contracts, Deputy Directors, and program coordinators—have continued to oversee the program under HRA. In addition, the Deputy Commissioner that currently oversees the program also worked with the program for a period of time while it was the responsibility of DHS.

The providers' contractual obligations are to deliver homelessness prevention services, in defined service areas, to eligible households, including: (1) outreach, engagement and assessment; (2) homelessness prevention and case management; (3) financial and rental assistance application and housing assistance; and (4) aftercare and community support case management services following shelter exit. (A list of key contract provisions is provided in Appendix I of this report.)

Currently, the following seven non-profit organizations have Homebase contracts: Help USA; Bronxworks; Catholic Charities Community Services Archdiocese of NY (ARCHNY); Catholic Charities Neighborhood Services (CCNS); CAMBA; Rise Boro Community Partnership; and SUS Urgent Housing Programs. These organizations had 27 individual contracts with HRA or DHS during the audit scope period. Eleven contracts were entered into when the program was run by DHS and 16 contracts were entered into by HRA in October 2017.

HRA's Prevention and Community Support (PCS) Unit is responsible for the oversight of the Homebase program and for helping to ensure that providers comply with the terms of their contracts and meet established service targets.

Potential clients are referred to Homebase providers through various sources, including 311, NYCHA developments, City/State/federal agencies, and local government officials. Providers also conduct outreach during community events. Potential clients undergo an eligibility screening by the providers' case managers, who evaluate them using a prescribed point system for risk factors that can lead to homelessness. Such risk factors include: a history of shelter stays; a recent application for shelter; a doubled-up household situation; frequent moves in the past year; household/landlord eviction; a history of interaction with adult/child protective services; a childhood history in foster care; survivors of domestic violence; and the need for reintegration into the community from an institutional setting.

Homebase provides three levels of services:

- Housing Advice and Assistance (advice) – Services are provided to applicants at a lower risk threshold of homelessness who can benefit from a one-time screening and advice session. The risk assessment score for this level of service is 6 or below.³
- Full Service – Services are provided to clients determined to be at imminent risk of homelessness. For these clients, full case services are provided for 120 days for families with children and 90 days for single/adult families. The risk assessment score for this level of service is 7 or more.
- Intensive – Clients enrolled in intensive services will receive comprehensive case management including home visits, legal assistance, workshops and financial assistance. Although there is no time limit on the service duration for these cases, the provider is required to reassess the client's eligibility every 90 days to determine whether to close the case or continue the services and to re-evaluate the type of assistance needed. The risk assessment score for this level of service is a minimum of 7, but a score of 12 or more is suggested.

Homebase contracts require that *no more* than 25 percent of a provider's case enrollments can be advice cases and *no less* than 25 percent can be intensive cases.

For both intensive and full cases, an individual service plan is created that lists services intended to meet the client's housing-related needs and goals to enable the client to avoid homelessness and achieve housing stability. The provider will either rely on its own resources or collaborate with other appropriately qualified organizations to provide anti-eviction legal services, landlord and family mediation, employment and training services, mental health, medical, substance abuse, child welfare, financial literacy, money management, and/or domestic violence services, as needed. After all service needs are met and referrals are made, a case is closed.

Homebase providers use CARES to enroll clients. CARES is a computer-based case management system into which users enter all case members' biographical information, assess clients eligibility determinations, create service plans, evaluate homelessness risk using assessment questionnaires, track client activities to meet a particular service plan, track requests for financial assistance, and record case notes. Additionally, the City's Human Health System

³ Households must be assessed using a risk assessment instrument, which is scored to determine the level of service the client should receive.

(HHS) Accelerator database is used to process program financial information and the providers' claims.⁴

According to the Fiscal Year 2018 HRA Mayor's Management Report, 93.7 percent of families with children, 95.9 percent of adult families, and 93.8 percent of single adults who received Homebase services did not enter a DHS shelter within a year of their Homebase enrollment date.

Homebase contracts are expense-based contracts, meaning that providers are reimbursed for their actual costs based on a pre-established budget. DSS' *Human Service Providers Fiscal Manual* provides fiscal and administrative information to contractors to assist them with managing their contracts. PCS approves the budgets and claims for reimbursement that are submitted by providers. Homebase is partially federally funded by Emergency Assistance to Families with Children (EAF), which is used exclusively for families with children, and Emergency Solutions Grants (ESG), which is used exclusively for single adults and adult families. In addition, City tax levy funds are also used for all categories of clients. Families with children include any household that has minor children ages 18 and under or 19 years old and in school (or other type of education program) full-time. Adult families are families without minor children, including single adults. An applicant's household composition will determine which funding source and specific requirements to apply when assessing program eligibility.

For Calendar Years 2018 and 2017, DSS reported total expenses for the Homebase program of \$53,720,899 and \$53,086,273, respectively. The City Tax Levy portion of these amounts for 2018 and 2017 were \$27,684,745 (52 percent) and \$27,054,090 (52 percent), respectively.

Objective

To determine whether HRA has adequate oversight over the Homebase Program.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit was July 1, 2016 through March 6, 2019.

Discussion of Audit Results with HRA

The matters covered in this report were discussed with HRA officials during and at the conclusion of this audit. A preliminary draft report was sent to HRA officials and discussed at an exit

⁴ HHS Accelerator is an online system that was launched by the City in an effort to simplify and speed up the contracting and payment processes for client and community-based service providers. It includes four major components: (1) the document vault, a web-based filing cabinet to store and share documents with the City; (2) prequalification information, to streamline the collection of basic documentation into a standard business service application; (3) a procurement roadmap, to provide a central location for the publication of all Health and Human Service Request for Proposals; and (4) financial information, to allow the electronic management of financial transactions, including budgets, invoices and the tracking of payments.

conference held on June 19, 2019. On October 3, 2019, we submitted a draft report to HRA with a request for comments. We received a written response from HRA on October 25, 2019.

In its response, HRA agreed with five recommendations (#s 2, 11, 12, 17, and 18) and partially agreed with eight recommendations (#s 1, 3, 4, 10, 13, 14, 15, and 16). HRA disagreed with the need for six recommendations that it track the issuance and recoupment of advance payments (#5); ensure that recoupments for advance payments and year-end close-outs are made timely (#6); ensure that modified recoupment schedules are documented and adhered to (#7); recover outstanding advance payments (#8); and ensure that first advances are recouped before second advances are recouped (#9). Officials argued that these recommendations reflect the agency's current practices. HRA also disagreed that it should consider tracking the number of clients who return to the Homebase program (#19).

Throughout its response, HRA challenged many of the audit's findings. Unfortunately, in doing so, that agency makes inaccurate statements, misrepresentations and critical omissions. Among other things, HRA incorrectly asserted that the audit team was not fully objective in its assessment of evidence related to HRA's monitoring activities and that we refused to consider information submitted by HRA, stating,

HRA PCS finds it necessary to address fundamental errors, misrepresentations of fact, and refusals on the part of the Auditors to consider responses and documents submitted by HRA during the audit.

However, every part of this statement is incorrect. Contrary to HRA's argument, to the extent that HRA provided credible evidence refuting a preliminary audit finding, we made appropriate modifications to the report. In fact, HRA fails to mention that, based on information and documentation that the agency submitted subsequent to the exit conference, we removed a sub-finding in the report related to clients not receiving required intensive services, made substantial changes to the section of the report related to HRA's exception and override policies, and modified a number of figures presented in Table II related to case file reviews.

HRA further states that

there are a number of instances where the audit report implies, without evidence, that DSS/HRA leadership was dishonest in stating policy and practice and may have provided altered documentation. In more than one instance, it appears that the auditors arbitrarily disregarded and challenged both the plain meaning of written policy, and the truthful and accurate statements made by Agency representatives.

Preliminarily, we note that nowhere in this report do we assert that agency leadership was dishonest or that they provided altered documentation. However, in accordance with generally accepted government auditing standards (GAGAS), auditors are required to exercise professional judgment, including professional skepticism and make a critical assessment of the reliability of evidence. The fact that our view of the evidence differs from that of HRA officials reflects the independent exercise of our judgment. In a number of instances—discussed in more detail later in this report—HRA provided evidence that, based on its content and the circumstances under which it was produced, raised concerns about the degree of reliance we could place on it. Consistent with GAGAS standards, we have presented our concerns in this report for readers to consider as they evaluate the report's findings. After carefully reviewing HRA's arguments, we find no basis to alter any of the report's findings or conclusions.

A detailed discussion of HRA's response is included in Appendix II of this report, and the full text of HRA's response is included as an addendum.

FINDINGS AND RECOMMENDATIONS

The audit found that HRA has inadequate oversight over the Homebase Program. We identified weaknesses in HRA's monitoring of the Homebase providers' case file reviews, which were not consistently performed or reviewed. Moreover, we found that in the limited number of case file reviews that HRA *did* conduct, the HRA reviewers frequently raised concerns about missing documentation and client program eligibility, which suggests that regular and more frequent reviews were needed. Our review of a sample of Homebase provider case files found deficiencies similar to the ones identified by HRA during its case file reviews. Among other things, we found case files with incomplete proof of income documentation and missing financial assistance documentation. In addition, we found deficiencies in the documentation of services provided. We also found that HRA's exception and case service level overrides (e.g., advice service to full service) policies were not adequately documented in written policies or clearly communicated to providers.

In addition, we found a weakness in HRA's file review methodology in that providers were given advance notice of the files that would be reviewed. Such notice undermines the effectiveness of the reviews because it allows providers the opportunity to belatedly create required documentation that had not been maintained in the ordinary course of business. This practice reduces the effectiveness of the case file reviews.

Further, the audit found that HRA did not perform timely fiscal reviews of providers and did not ensure timely submission by the providers of their audited financial statements. In addition, DSS—as the agency responsible for overseeing HRA and DHS—did not consistently follow its procedures for the issuance and recoupment of advance payments made to providers.⁵ As a result, as of March 6, 2019, DSS had failed to recoup \$2,271,797 in advance payments for seven contracts that were closed out in October 2017. Further, providers failed to make timely submissions of their year-end close out reporting for 12 contracts.

Additionally, we found inaccuracies and inconsistencies in HRA's Homebase reporting. In particular, we found instances where clients were recorded in CARES with incorrect family types and funding sources. These problems impede HRA's ability to accurately determine clients' program eligibility and the length and types of services they should be provided. We also found that HRA did not appropriately include all single adults who return to shelter in the number of returning single adults that it reported in the MMR. As a result of these weaknesses, the reliability that one can place on the information reported by HRA for the Homebase program is reduced.

Finally, under Other Matters identified in the course of the audit, we found that HRA does not track or generate reports that reflect clients who return to the program. Such tracking could help HRA to better evaluate the effectiveness of its Homebase programs and providers, as well as provide critical information to the City for an overall assessment of the effectiveness of its programs to reduce homelessness.

In summary, the totality of the deficiencies identified in this report have reduced the effectiveness of DSS' efforts to assess the degree to which the providers are delivering contracted services, and the impact of those services in preventing homelessness.

These issues are discussed in the following sections of the report.

⁵ HRA is responsible for the recoupment of overpayments to Homebase providers pursuant to the contracts initiated since October 2017 and DHS is responsible for recoupment of overpayment on the prior contracts it entered into.

Inadequate Oversight of Homebase Providers

Inadequate Case File Reviews

The Homebase contracts state that the contracting agency (HRA or, for pre-October 2017 contracts, DHS) “shall monitor and evaluate the performance of the Contractor under this Agreement at such times and in such manner as the Department deems appropriate, including, but not limited to, announced and unannounced site visits.”

HRA has not established a formal written policy for case file reviews, which according to HRA are an important component of HRA’s performance monitoring. Providers are required to maintain all hardcopies of records, including income verifications and Welfare Management System (WMS) documentation, because hardcopies of these documents are *not* uploaded into CARES. Accordingly, the determination of whether a provider obtained these records as required in connection with an eligibility determination can only be identified through a physical case file review.

According to HRA, it performs two types of physical case file reviews. One of these reviews is informal and occurs at the providers’ premises, usually on a monthly basis in connection with HRA’s site visits. HRA does not maintain records of these informal provider case file reviews.

The second type of provider case file review is formal according to HRA, and is conducted at the providers’ premises annually. These formal reviews are performed in two cycles—one of case files for families with children, and the other of case files for single adults/adult families. For these two cycles of formal case reviews, HRA informed us that its policy is to sample a total of five cases from each contract. Consequently, a sample of 80 case files would be reviewed for the 16 current Homebase contracts (5 times 16).

However, we found that HRA records do not reflect that formal case file reviews were always conducted and that when they were conducted, they were not conducted timely or timely shared with the providers. As stated previously, the current Homebase contracts were initiated in October 2017. Had HRA conducted two formal case review cycles annually—approximately one every six months—three reviews of the 80 sampled case files each should have been initiated by May 2019. Accordingly, had those reviews all been conducted timely, we would have received 240 case file reviews in total. However, HRA was only able to provide evidence that 80 of the 240 required case file reviews were completed, all related to the first cycle of reviews of case files for families with children. Further, based on the records we received, these first case file reviews for families with children were not initiated until May and June 2018—7 to 8 months after the October 2017 start of the new contracts. Further, as of March 2019, nearly a year after the reviews were initiated, the providers had not received any feedback from HRA regarding the results of these case file reviews.

As noted, the reviews HRA provided only related to a single cycle of provider case reviews of cases involving families with children. At the time they were provided an HRA official stated that case file reviews for single adults/adult families have also been completed, but the anticipated completion date for the summaries of the case file reviews was not until June 2019.⁶ On June 25, 2019, after the fieldwork for this audit had been completed, HRA officials provided auditors

⁶ Since five case files are reviewed per provider, PCS creates a summary document to identify the issues found during the case file reviews for each provider.

with the case file review summaries for the first cycle of single adults/adult families' reviews that had been conducted between October 2018 and January 2019.

In addition to the issues described above related to the frequency and timeliness of case file review, we also found that HRA's procedures for conducting the formal case file reviews weakened their reliability. Specifically, HRA's practice is to give providers two to three days advance notice of the case files that it has chosen to sample for review. However, such notice affords the providers an opportunity to inappropriately obtain and/or create required documents that might be missing from case files. By adding documents to the files in anticipation of a review, the providers could mask deficiencies in their case practices as well as in their eligibility determination processes. In fact, three of PCS' case file reviews specifically indicated that the provider appeared to have printed and added documents to the files the day before the site visits. The belated acquisition of these documents for the case files creates doubt as to whether the providers obtained and reviewed them as required prior to enrolling the clients.

HRA's deficient case file review process occurred because the agency has not implemented sufficient controls over the process. Although PCS created an EAF Case File Monitoring Tool (for families with children) and ESG Case File Monitoring Tool (for single adults and adult families) that lists the items to be checked, PCS does not have a written policy that specifies how often reviews should be conducted, the number of cases that should be reviewed, how and when the results should be shared with providers, and how and when the providers should correct and document any issues identified.

Without sufficient case file reviews, HRA cannot reasonably be assured that all required documentation is present in the case files. In addition, there is an increased risk that providers may be enrolling clients who are not eligible for the program and HRA may be inappropriately paying for services provided to such clients, at the expense of persons who are needier and actually eligible for the program. In fact, those case file reviews PCS did conduct revealed a number of weaknesses, as discussed below.

Weaknesses Identified by the HRA PCS Unit's Case File Reviews

According to the Homebase Source Book, providers "must carefully review the documentation included in participant case records, both paper and electronic records, through periodic monitoring and be sure it is sufficient to document that the household meets all articulated eligibility criteria."

We found that HRA's PCS unit's case file reviews of 80 sampled cases identified numerous deficiencies with regard to eligibility determinations. Specifically, the review results summarized in Table I below reflect that 54 (68 percent) of the 80 cases had insufficient information in the file and/or were missing required documentation. These deficiencies include six instances where the clients' income was found by PCS to be above the limits for eligibility. However, these clients were found eligible by the providers to receive services. In all, 67 deficiencies were identified for the 80 cases reviewed by PCS as shown in Table I.

Table I
Deficiencies Identified by PCS' Case File Reviews

Contract	# of files Reviewed	Benefit (EAF) Findings		Income Findings				Financial Resources Assessment Findings	Total # of Findings
		# Missing or Insufficient Info	# Missing Active Public Assist. Case	# Missing or Insufficient Info	# Incorrect Info	# Outdated Docs	# Earns Above Income Levels	# Missing or Insufficient Information	
1*	5	1	0	2	0	1	0	2	6
2	5	1	0	0	0	0	3	3	7
3	5	1	2	5	0	0	0	1	9
4	5	1	0	1	0	0	2	3	7
5	5	3	0	0	1	0	0	0	4
6	5	1	0	2	2	1	1	5	12
7	5	1	0	2	1	0	0	0	4
8	5	0	1	1	0	0	0	1	3
9*	5	2	2	0	0	0	0	0	4
10*	5	2	0	0	0	0	0	0	2
11	5	0	0	0	0	0	0	0	0
12*	5	0	1	0	0	0	0	0	1
13*	5	1	1	1	0	0	0	0	3
14*	5	0	0	1	0	0	0	0	1
15*	5	0	0	2	0	0	0	0	2
16	5	0	0	2	0	0	0	0	2
Total	80	14	7	19	4	2	6	15	67

*Denotes providers' summaries where the overall conclusion did not match with the corresponding findings.

Internal Inconsistencies in Case File Reviews

We found a number of material inconsistencies in the 16 case file review summaries prepared by PCS. Specifically, we identified seven instances where the findings the reviewers made and the conclusions drawn by the reviewers were contradictory. For example, PCS reviewed five case files for one provider and listed in the conclusion of the case file summary that two cases did not meet the income eligibility requirements and should not have received services. However, in the section related to the income review on the case file summary, it reported that all cases reviewed met income requirements.

Contradictory case file review information, if given to providers, undermines the direction given by the agency and increases the risk that the providers will not understand what matters need to be addressed and will therefore not address them correctly.

At the exit conference, held on June 19, 2019, HRA officials claimed for the first time that the case file review summaries we were provided were not the finalized copies and that they had not been reviewed or issued to the providers yet. Officials subsequently provided us with copies that they then represented to be the final versions.

Of concern, however, is that these purportedly “final” summaries were significantly modified from the versions that we originally received. The number of findings based on the revised summaries totaled 23, significantly fewer than the 67 findings reported in the original summaries. We were not provided with any explanations for the reason that so many changes were made to the purportedly “final” summaries we were eventually provided. Additionally, none of the revised summaries were dated. Conversely, the original summaries we received had all been dated either January or February 2019, eight to nine months after the reviews occurred (the reviews took place in May and June 2018). According to HRA, the “final” case file review summaries were not shared with providers until May 19, 2019—in most cases *a full year* after the site visits were conducted to review the case files.

When the results of case file reviews are not timely shared with the providers it significantly undermines the effectiveness of the reviews, especially in instances where providers may not be in compliance with Homebase policies and procedures. As noted, HRA provided no satisfactory explanation as to (1) why the summaries were materially revised so long after the reviews occurred; and (2) why we were not informed that the summaries were not finalized when we were initially provided the summaries or when we discussed our findings with officials in May 2019. In the absence of credible explanations for these matters and for the revisions themselves, we are unable to place reliance on the revised summaries.

DSS Fiscal Audits Were Untimely

According to the *Human Resources Administration/Department of Homeless Services Human Service Providers Fiscal Manual* (Fiscal Manual), “DSS Office of Audit and Quality Assurance (OAQA) Services routinely conducts annual financial and compliance audits of Providers through its contracted CPA firms. Over a three-year cycle, it is expected that each Provider will be audited at least once.”

However, we found that DSS does not ensure that these fiscal audits are completed in a timely manner over a three-year cycle period as required, or even at all. Seven of the 11 audits covering the three-year period ending in Fiscal Year 2015 were not completed until after January 2019. Notably, five of these audits determined that funds totaling \$255,728 needed to be recouped from the providers.

The audits for the remaining four contracts had still not been completed as of May 7, 2019. Moreover, DSS has provided evidence that as of January 2019, it has initiated only two of the 16 audits covering the three-year cycle that ended in June 2018.

At the exit conference, DSS officials argued that its manual states that each *provider*, rather than each contract, is to be audited at least once every three years. However, we found that DSS does not consistently implement the policy that it argues is in effect. Rather than auditing every provider at least once every three years, we found that for the three-year period ending in Fiscal Year 2015, while DSS audited both of the Homebase contracts it had with each of three providers, it audited neither of the two Homebase contracts it had with a fourth provider. Further, we identified another two providers with one Homebase contract each and found that DSS audited neither of those contracts as well.

DSS lacks adequate oversight of the fiscal audit process. As noted, it did not ensure that the fiscal audits were conducted in a timely manner or at all. Further, instead of scheduling the audits to be conducted over a three-year period so as to not overtax the resources of the contracted auditors, we found that all of the audits were conducted concurrently, which could impact their timeliness.

Untimely fiscal audits weaken DSS' ability to ensure that funds are being appropriated correctly, that claims for reimbursement are allowable, that providers' internal controls are effective, and that providers complied with contractual requirements. Further, when audits are not done timely, DSS' ability to recoup funds that are misused or not adequately supported may become more difficult, especially in instances where contracts with a provider have ended.

At the exit conference, DSS officials stated that the policy does not specify a deadline within which audits need to be completed. Officials contended that they have up to six years to complete an audit, referencing language in the Homebase contract that states that contractors are required to retain all records for six years after the contract's end, during which time the City has the right to examine those records.

However, we find DSS' argument to be flawed. A six-year record retention requirement does not establish a fiscal audit review cycle. Rather, fiscal audits are a component of prudent fiscal controls that should be established to ensure that funds are being appropriated correctly, that claims for reimbursement are allowable, that providers' internal controls are effective, and that providers comply with contractual requirements. Consequently, fiscal audits should be conducted in a manner that provides management with timely information on the Homebase contractors' operations, and which would allow for prompt recoupments for disallowed expenditures and timely corrective measures for any deficiencies that are identified. Allowing six years to conduct such audits undermines the intended benefits of such audits.

Advance Payments Were Not Recouped Timely

According to the Fiscal Manual:

Advances will be recouped against invoices beginning with payment for the January service period. The guideline for recoupment is 10 percent each month from January to May with the balance (fifty-percent) to be recouped against the fiscal year close-out. If June closeout expenses are anticipated to be less than the advance balance, DSS Fiscal Operations reserves the right to recoup greater amounts in April and May. Should the final invoice fall short of the amount to be recouped, the balance will be recouped in the following fiscal year or providers may reimburse the agency directly through a payment plan.

The Fiscal Manual also states that providers may request additional advances against their budgets and that DSS Finance reserves the right to modify the recoupment schedule as needs arise.

However, we found that DSS did not issue or recoup advances in accordance with procedures set forth in its Fiscal Manual, nor did we find any evidence that the recoupment schedule for these advances had been modified. We calculated that \$2,271,797 in advance payments for seven contracts that were closed out in October 2017 were not recouped as of March 6, 2019. As of January 2, 2019, the advances pertaining to the eight contracts had been outstanding from 16 to 32 months.

Because DSS does not recoup advance payments timely and does not adequately track advances, the agency increases the risk that it may not recoup all advances, especially in instances where providers' contracts with DSS end. In such instances, funds that should be utilized to help Homebase clients will instead be inappropriately paid to providers for services that were not provided.

We found that of the \$13,075,831 in advances HRA issued for 14 contracts in Fiscal Year 2019, the recoupment schedule for 6 (43 percent) was not in line with the schedule mandated by the Fiscal Manual, which requires recoupment against invoices of 10 percent of the advance “beginning with payment for the January service period.” The total amount advanced for these six contracts was \$5,652,563, so based on the 10 percent recoupment policy, \$565,256 should have been recouped for January 2019. We found that recoupments were not made for any of these six contracts in February 2019 for the January 2019 service period. We also identified 11 contracts where recoupments started being made just one to two months after advances were made, rather than the seventh month (January) of the contract period as specified in the manual. Finally, we found that DSS paid the final bill for five contracts that ended in September 2017 without recouping the outstanding advance payment balances totaling \$1,863,618.

In addition, we found nine contracts where DSS granted second advances and recouped those advances before recouping the initial advances granted in connection with those same contracts. For example, for one contract, DSS granted an advance payment of \$783,976 in April 2018 and, before recouping that advance, granted a *second* advance of \$1,175,965 in August 2018. Thereafter, DSS made two partial recoupments against the second advance before it recouped any of the funds for the first advance.

Subsequent to our discussions with DSS in January 2019 regarding outstanding advances, DSS recouped \$1,591,007 in January and February 2019 that pertained to the closed contracts. These recoupments also included several instances where multiple recoupments were made in the same month. In one instance, for example, DSS gave the provider an advance payment of \$1,110,188 on September 18, 2017 for one contract but made no attempts to recoup these funds prior to our inquiries in January 2019. After our inquiries, DSS made three recoupments totaling \$847,117 later that month but did not fully recoup the advanced amount.

The deficiencies in DSS’ recoupment practices resulted from the agency’s failure to adequately track and reconcile payments made to Homebase providers. Our review of DSS’ payment records revealed that they do not reconcile with the City’s payment records found in its Financial Management System (FMS), which contains a record of the actual payments made by the City to the providers. We found invoices pending approval or withdrawn and payments (including advances) recorded in FMS that were not recorded in DSS’ records. According to FMS, \$114,493,554 was paid to Homebase providers for services rendered from July 1, 2016 to October 3, 2018. However, DSS’ payment records for that period recorded only \$86,545,197 (76 percent) as being paid to providers.

Lack of Control over the Close-out Process

HRA does not ensure that providers submit their final invoices and other relevant documentation in a timely manner. According to the Fiscal Manual:

Providers must submit a final invoice to reflect their final spending of the fiscal year. If needed, the provider must submit a final budget modification. Once approved, providers should submit their final invoice against that approved budget. Providers should not delay in submitting a close out invoice. . . .

Providers with Expense-Based Contracts must submit their final invoice no later than September 1. . . . Contracts that terminate and are renewed for the same program in the middle of the fiscal year will be closed-out at contract termination.

For the contracts ending September 2017, DSS stated that it does not have a published submission deadline for contract close-outs, but that its general expectation is that contract close-outs be completed within nine months. Accordingly, the new contract close-outs for the period ending in June 2018 should have been completed by September 1, 2018. In addition, according to a memo sent from the PCS Director of Contracts to the Homebase providers, “Providers with unregistered contract agreements are not required to meet the above deadlines but must submit a closeout invoice with[in] 30 days of contract registration.”⁷ If a provider wishes to request an extension, HRA requires that “a written request for an extension must be submitted prior to the due date.”

We found that DHS had failed to complete the close-out procedure for 12 of 27 contracts within the time frames prescribed by the Fiscal Manual. The purpose of the close-out is to monitor the provider’s spending and make sure they are operating under the budget allocated to the program. Consequently, when HRA allows close-outs to be late, it is unable to timely reconcile all of the funds paid to the providers and recoup outstanding advances.

As of March 26, 2019, the close out process was not completed for two contracts from the same provider that ended September 2017 and that had outstanding advance payments totaling \$468,297—almost twice as long as DSS’ “general expectation” of nine months. In addition, the close out process for 10 contracts for the Fiscal Year ending June 2018 were completed late—ranging from one month to six months after they were due in September 2018. One of the providers did not submit its close-out invoices until March 2019. According to the Fiscal Manual, delays in submitting the close out invoice may result in delays in providers receiving payments for the following fiscal year; however, we found no evidence that HRA withheld any payments to these providers.

Furthermore, invoices submitted by the providers for close-out purposes for seven contracts (four old and three new contracts) totaling \$3,011,281 were for services provided over 7 months prior. For example, an invoice totaling \$191,445 for services provided for a contract that ended in September 2017 was submitted nine months later (six months late) on June 18, 2018 and approved for payment on August 1, 2018.

According to HRA officials, in five instances the providers requested and received extensions for submitting close-outs and in seven instances there were contract amendments registered late that prevented providers from submitting timely close-outs. However, with regard to the requests for extensions, the requests for all five contracts were made after the close-outs were past due. In fact, the extension requests for two contracts were made after HRA reached out to the provider asking about the status of its invoices. In addition, six of the seven close-outs were not submitted within 30 days of the contract registration dates indicated on the documents that HRA provided, as required.

DSS is not adequately enforcing the close-out procedures required by the Fiscal Manual to ensure that providers comply with the procedures. DSS did not identify a mechanism to ensure that advances were fully recouped during the year-end close-out process or, if not feasible, during the following year. As a result, the risk that providers will be paid for services not provided, and that advanced funds may never be recouped, is increased.

⁷ Contract amendments that account for less than 10 percent of the original contract amount are registered in-house and recorded in FMS. Amendments that account for 10 percent or more of the original contract amount are required to be registered with the Comptroller’s Office Bureau of Contract Administration. That bureau is responsible for reviewing all contract actions, including new contracts, contract amendments, leases and concessions entered into between City agencies and vendors to determine whether the particular action should be registered.

Recommendations

1. HRA should improve its monitoring controls to ensure that it conducts two formal case file review cycles annually and should ensure that the case file review summaries are reviewed for accuracy, sent to the providers timely, and that deficiencies noted in summaries are corrected.

HRA Response: HRA partially agreed with this recommendation and stated, “HPA [Homelessness Prevention Administration] will establish a schedule for two case file reviews of each Homebase contract for the contract year 10/19 to 9/20 and every year following.

Disagree that the program shared inaccurate information with the auditors. Auditors demanded draft summaries from the line staff which had not been reviewed by HPA and were never issued to the providers. Please refer to attached Clarification document.”

Auditor Comment: Contrary to HRA’s statement, the summaries in question were provided by a PCS Regional Deputy Director—not line staff, as inaccurately claimed by HRA. (A fuller discussion of HRA’s arguments as presented in its “Clarification” document are addressed in Appendix II of this report.)

Further, HRA fails to address the portion of the recommendation having to do with sending the case file review summaries to providers in a timely manner and ensuring that noted deficiencies are corrected. As stated earlier in this report, HRA officials stated that the agency did not share the results of the case file reviews with providers for almost a year after the reviews took place, significantly undermining the utility of the reviews. In addition, there was no evidence that HRA required providers to submit corrective action plans. Accordingly, we urge HRA to fully implement this recommendation.

2. HRA should create and disseminate a written case file review policy that indicates, at a minimum, the frequency with which reviews should be conducted, the number of files to be reviewed per provider, how and when the results should be shared with providers, and how providers should document corrective actions taken.

HRA Response: HRA agreed with this recommendation, stating that it has created “a Program Monitoring Guide.”

3. HRA should not give providers advance notice of the case files to be reviewed.

HRA Response: HRA partially agreed with this recommendation, stating, “1) For a selection of open case files – no advance notice will be given to providers. 2) For closed case files – they must request in advance because closed case files are stored off site.”

Auditor Comment: It is encouraging that HRA has agreed to revise its policy with regard to giving advance notice of open case files it selects for review. However, HRA should not give advance notice of closed case files either. During our reviews, we found that three providers had large storage areas on site where closed case files were stored, while some other providers had boxes on site with closed case files. As we state in this report, giving providers advance notice of closed case files creates an opportunity for providers to inappropriately obtain and/or create required documents that might be missing from case files. Accordingly, we urge HRA to fully implement this recommendation.

4. DSS should ensure that fiscal audits of Homebase providers are conducted on a timely basis.

DSS Response: DSS stated that it partially agreed with this recommendation, stating, “DSS agrees in principle that fiscal audits of Homebase providers should be conducted on a timely basis, but we disagree with the auditors’ conclusion that this is not already being done. . . .” However, notwithstanding a lengthy response, DSS failed to identify the portion of the recommendation with which it disagreed. Instead, DSS goes on at length to present its methodology for its fiscal audits and its disagreement with this audit finding that fiscal audits were not performed in a timely manner during the audit period.

Auditor Comment: While we are encouraged that DSS agrees that fiscal audits should be completed timely, as described in detail in the audit, this was not reflected by DSS’ practices. Seven of the 11 audits covering the three-year period ending in Fiscal Year 2015 were not completed until after January 2019. (Segments of DSS’ response to this recommendation are addressed in more detail in Appendix II of this report.)

5. DSS should implement and enforce procedures to track the issuance and recoupment of Homebase advance payments, including but not limited to: conducting monthly reconciliations of advance payments to the recoupment records; establishing an advance payment tracker; and reconciling advance payment information from HHS Accelerator and FMS.

DSS Response: DSS disagreed with this recommendation, stating, “DSS Finance already has these processes in place. The reviewers did not correctly interpret the process and did not review Accelerator, which is the system of record despite the fact that Finance offered to host a session to review Accelerator data.

Using HHS Accelerator Financials, a component of HHS Accelerator, Agency staff manage budgets, invoices, advances, advance recoupments and payments through the system. HHS Accelerator Financials enable a paperless process and facilitates increased accuracy in accounting. Financial transactions in the system do in fact interface with the City’s Financial Management System (FMS).”

Auditor Comment: DSS’ claim that we did not review Accelerator is incorrect. In addition, DSS fails to mention that we had two teleconferences with DSS officials with regard to the discrepancies we identified between the payment information recorded in HHS Accelerator and FMS. We also presented DSS with copies of the FMS reports and HHS payment records that HRA itself provided to us, as well as our detailed analysis of the deficiencies. Notwithstanding DSS’ claims, the agency has provided no evidence—either during the audit or in its response—challenging the accuracy of our analysis. In the absence of evidence to the contrary, we reaffirm our finding and recommendation and urge DSS to implement this recommendation.

6. DSS should ensure that recoupments for advance payments and year-end close-outs are made in a timely manner, and that remaining outstanding advances are deducted from close-out invoices in accordance with its Fiscal Manual.

DSS Response: DSS disagreed with this recommendation, stating, “Finance strongly disagrees that the agency is not currently in compliance with this recommendation and is not actively recouping advance payments and processing year end close-outs.

The agency performs an annual closeout of the fiscal year for each contract. The process is the same for both HRA and DHS contracts, and allows vendors to submit Closeout Budget Modification by 9/1 after the close of the City FY or request an extension. The submission of this is the first step in the closeout process. . . . Once the Closeout Budget Modification is approved, providers must submit their Final Closeout invoices. There are two and three levels of Agency review for invoices that are provided. This review process often includes requests for documentation or justification and subsequent revisions to the invoices if documentation is/is not provided. Once the invoice is approved final, it creates a payment task in Accelerator for DSS Finance to issue payment. . . . As stated in the exit conference, for these reasons, when a contract term is ending it is not atypical for the final contract closeout to remain pending for one to two years. This is consistent with policy.”

Auditor Comment: Our analysis revealed that the agency has not been timely in recouping advance payments and conducting close-out processes. DSS has provided no actual evidence to indicate that this analysis was incorrect. As stated in the report, as of January 2, 2019, the advances pertaining to eight contracts had been outstanding from 16 to 32 months. The audit also found that DHS failed to complete the close-out procedure for 12 of 27 contracts within the time frames prescribed by the Fiscal Manual. In addition, although DSS states that it is not atypical for final closeouts to remain pending for one to two years, this was not consistent with the policy in its Fiscal Manual, which calls for final invoices to be submitted by September 1, with the exception of providers with unregistered contract agreements. DSS requires closeout invoices to be submitted within 30 days of contract registration in these instances, but we did not find this to be the case. Accordingly, we urge DSS to fully implement this recommendation.

7. DSS should ensure that modified recoupment schedules are documented and adhered to.

DSS Response: DSS disagreed with this recommendation, stating, “DSS does ensure that recoupment schedules are documented and adhered to. As mentioned in #5, HHS Accelerator is used to track advances and their recoupment. Additionally, DSS Accounts Payable works continuously with the program areas to follow up with providers on repayment issues.

DSS Finance will continue to utilize HHS Accelerator to track advances and recoupments. It is our system of record.”

Auditor Comment: As stated in this report, the recoupment schedule for a number of contracts was not in line with the schedule required by the Fiscal Manual. The agency has provided no evidence—either during the course of the audit or in this response—that modified recoupment schedules were prepared for the period reviewed in the audit. Accordingly, we urge DSS to fully implement this recommendation.

8. DSS should make every effort to recover the outstanding advance payment amounts for the closed contracts identified in the audit.

DSS Response: DSS disagreed with this recommendation, stating, “DSS is reviewing and analyzing the contracts that are closed and were identified in the audit for correctness and accuracy. Once the review is complete, DSS will send an enforcement letter to the providers requesting the outstanding liability to be

repaid. If Finance cannot recoup the outstanding balances from provider expenses, demand letters detailing repayment plans will be sent to the providers. This is part of the normal process and while we agree that this should be done, we do not agree that we were not in compliance with our policies and procedures.”

Auditor Comment: Based on its response, it appears that DSS actually agrees with this recommendation. In fact, at the exit conference DSS provided us with a spreadsheet, which showed that it agreed with the outstanding advances in question. It is therefore unclear why DSS is still reviewing and analyzing the closed contracts. Nonetheless, we are encouraged that DSS will take steps to collect these funds and urge DSS to do so as soon as possible.

9. DSS should ensure that when more than one advance is given for a contract that the first advance is fully recouped before recoupments are made on the second advance.

DSS Response: DSS disagreed with this recommendation, stating, “Finance explained the advance payment and recoupment process. Advances are always issued at the beginning of the new contract year, so this condition will always exist if the previous contract year’s recoupment is still in progress.”

Auditor Comment: In the majority of the instances cited in the report, the second advances were given in the same year as the first advances and not at the beginning of the next contract year, as DSS inaccurately claims. By recouping the second advances prior to recouping the first ones, there is an increased risk that the first advances may never be recouped. We therefore urge DSS to implement this recommendation.

Homebase Providers Did Not Consistently Meet Contractual Requirements

Auditors’ Review of Providers’ Case Files Revealed Deficiencies

We reviewed the case files of 50 sampled clients from five sampled Homebase providers and found that the case files of 17 (34 percent) were either missing required documents or had insufficient information. Providers are contractually required to fulfill a number of responsibilities, such as conducting home visits for intensive cases, cases where applicants receive at least \$500 in financial assistance and cases where Homebase is referring applicants for CityFEPS; reassessing cases at 90 days; certifying eligibility for ESG-funded services at least once every 90 days; and documenting financial assistance provided in the case file and HHS.⁸ Subsequent to the exit conference, HRA officials provided a Homebase Q & A document, which indicated that cases approaching the 120 day threshold may remain open if a payment is scheduled to be made no more than 10 days after the threshold. The Source Book makes no mention of this caveat. Nevertheless, our analysis includes the 10-day grace period where appropriate.

The deficiencies found in the 17 cases are summarized in Table II below.

⁸ CityFEPS is a rental assistance program that provides assistance to eligible Families with Children who are risk of entry to shelter or are currently residents in shelter, to secure permanent housing. Homebase will assess families most at risk of homelessness to be considered for CityFEPS.

Table IICase File Deficiencies

Criteria	# of cases to which this criteria applies	# of cases where criteria met	# of cases where criteria not met	Percentage of cases with deficiency
Intensive cases should follow the Critical Time Intervention (CTI) Model*	7	1	6	86%
Home visit	34	28	6	18%
Family with children cases closed after 120 days	19	13	6	32%
Cases in the program over 90 days are Reassessed	36	9	27	75%
Signed Service Plan	50	43	7**	14%
Income source document	50	46	4	8%
Financial Assistance Documented in HHS	15	8	7	47%
Financial Assistance documented in case file	15	10	5	33%
Financial Assistance approved	15	10	5	33%

*The CTI Model is an evidence-based model developed to support individuals and families that are experiencing a significant transition and to support housing stability during and after that transition. It involves a 3-phase approach to service: (1) engagement, assessment and link; (2) the client "Trying Out" self-sufficiency skills and linkages made; and (3) the client taking ownership of their stability plan. The three-phases may each be up to 3 months in duration for a total of 9 months. The overarching goals are to strengthen long term ties to community based services and to provide practical support at the critical time of transition to ensure stability in the community and reduce likelihood of entry or return to shelter.

**In three instances the service plans were missing and in four instances the service plans were missing the required signatures of the client or supervisor.

Notably, of the 28 home visits conducted by the providers, 5 homes were determined to not be habitable. However, we found no evidence that the issues relating to four of the homes were fixed by the landlord while the clients continued to reside there. These included a case where the case manager observed a rodent infestation, mold or mildew, a water leak and broken windows during the home visit.

In addition, of the 36 sampled cases open for more than 90 days, there was no evidence that the required 90-day reassessment was conducted for 27 cases—17 of these cases were in the program for more than 120 days, up to 270 days. Of the 19 family with children cases in our sample for which closure was required within 120 days, 6 remained open anywhere from 1 to 86 days beyond the 120 days.⁹ Of these six, only one had evidence that they were reassessed.

The failure to conduct timely reassessments could result in not only a failure to timely reassess participants' eligibility for services, but also a failure to timely reassess the effectiveness of the benefits the participants are receiving. As a result, the providers might not identify instances where program participants' are no longer eligible for services or where they need additional or different services to more effectively address their needs. Both situations could cause participants remaining in the Homebase program longer than they might otherwise have needed to. It should also be noted that for all of the cases with incomplete or missing income documents, the clients were found to be eligible without any justifications for eligibility in the case files.

⁹ Cases involving households exiting the DHS/HRA shelter system for a duration of time necessary to address the specific identified concerns and for which Homebase provides aftercare support are not required to be closed within 120 days.

These deficiencies have been allowed to exist as a result of HRA's inadequate oversight and lack of case file reviews for the Homebase Program. As stated previously, without adequate monitoring of providers, HRA has limited assurance that (1) only eligible clients are enrolled; (2) appropriate services are being provided based on clients' needs; and (3) service plan goals and objectives are being met.

Providers Did Not Submit Certified Financial Statements in a Timely Manner

The Homebase contracts require providers to obtain annual certified financial statements prepared by an independent certified public accountant and submit them to HRA within thirty days after receipt from the accountant. The Fiscal Manual states that the providers are required to upload their certified financial statements and accompanying auditor's reports into their document vaults in HHS Accelerator in order to enable HRA to access them. This financial information is important to enable HRA to better assess the providers' financial health.

However, we reviewed the document vaults for each of our five sampled providers and did not find *any* certified financial statements. According to HRA, the hard-copy financial statements were submitted by the providers but they were filed away in cabinets and the agency needed some time to locate them. HRA produced copies to us on April 26, 2019—five weeks after our initial March 18, 2019 request. However, these HRA officials did not provide an explanation as to why the providers did not upload the documents into the vault as required, or why it took HRA five weeks to locate copies of them. Accordingly, we lack reasonable assurance that HRA maintained these records in the ordinary course of business and did not obtain them from the providers subsequent to our request.

Five of the seven Homebase providers operate on a fiscal year running from July 1 through June 30 and the remaining two operate on a fiscal year running from September 1 through August 31. For the five providers whose fiscal year ends in June, HRA provided us with copies of audited financial statements for the most recent fiscal year ending June 30, 2018 (the financial statements for one provider combined the fiscal year periods ending June 30, 2018 and June 30, 2017). For the two providers whose fiscal year ends in August, HRA provided us with the financial statements for the period prior (ending August 31, 2017) to the most recent fiscal year.

HRA did not establish a procedure to monitor and enforce the implementation of its policy requiring providers to timely submit audited financial statements in the document vault in HHS Accelerator. When providers do not submit their audited financial statements, or do not do so timely, HRA is less able to ensure that the providers contracted to provide Homebase services are financially sound.

Recommendations

10. HRA should adequately monitor providers to ensure that all contractual requirements are met, including that all required documentation is present, CTI is used for intensive cases, required reassessments are conducted, cases are closed timely, and financial assistance is appropriately documented and approved.

HRA Response: HRA responded that it partially agrees with this recommendation, stating, "HRA disagrees with many of the statements in the report. Please see the attached clarification document. Nonetheless HRA will

make improvements to the monitoring process. PCS will develop new ways for Homebase providers to explicitly document the CTI services provided to clients.”

Auditor Comment: HRA does not identify the portion of the recommendation with which it disagrees. Based on its response, it appears that, while taking issue with “many of the statements in the report,” HRA is in agreement with this recommendation and we are encouraged that HRA sees the need to make improvements to the monitoring process. (HRA’s disagreements with these findings are addressed in Appendix II of this report.)

11. HRA should ensure that the Source Book is updated to include all Homebase requirements and criteria, including that a 10-day grace period for closing cases is allowed.

HRA Response: HRA responded that it agrees with this recommendation and will “[u]pdate the Homebase Sourcebook.”

12. HRA should ensure that providers promptly upload copies of their certified financial statements into HHS Accelerator in accordance with their contract requirements.

HRA Response: HRA agreed with this recommendation, stating it will “[e]nsure all certified financial statements for FY18 will be loaded into Accelerator.”

Auditor Comment: We are pleased that HRA will ensure that the Fiscal Year 18 financial statements are uploaded in Accelerator. However, HRA should ensure that going forward the providers also submit the annual certified financial statements in Accelerator timely in accordance with their contract requirements.

Weaknesses in Homebase Reporting Indicators

Inaccurate Client Information in CARES

Homebase enrollment data recorded in CARES is supposed to indicate the family type and funding source for their services. However, we found that CARES contains erroneous information about family types and composition that increases the risk of inaccurate performance reporting by HRA, including the *Homebase Performance Indicators* and the performance data reported in the MMR, and that also increases the risk that HRA may not request the appropriate reimbursement amounts of federal ESG and EAF funds.

According to the Homebase Source Book, the funding sources for Homebase are:

- EAF – is exclusively used for families with children, while Non-EAF (City tax levy) funding is used for families with children who meet certain criteria for Homebase services even though they do not meet the criteria for EAF funding
- ESG – is exclusively used by NYC for single adults and adult families, while Non-ESG (City tax levy) funding is used for adult families/single adults who meet certain criteria for Homebase services even though they do not meet the criteria for ESG funding

The Source Book also defines the different family types as follows:

- Family with children include any household that has minor children ages 18 and under or 19 years old and in school/education program full time.

- Single adult includes single adults without minor children.
- Adult family includes any household with single adults and no minor children.

Our review of the data maintained in CARES revealed a number of discrepancies in the Homebase enrollment data. Specifically, we identified a total of 35,216 cases that received Homebase services during the period audited. Our analysis of the electronic data disclosed that 938 cases appeared to be misclassified in the following ways:

- 538 instances where families with minor children were assigned ESG or Non-ESG funding (utilized for households *without* children) rather than EAF or Non-EAF funding.
- 132 instances where adult families or single adults were assigned the EAF and Non-EAF funding source (utilized for households *with* minor children) rather than ESG or Non-ESG funding.
- 197 instances where cases with only one household member were assigned the “family with children” family type.
- 71 instances where participants under 18 years old were listed as cases without any associated adult, including 56 who were inappropriately listed as “head of household.” Twenty of these 56 participants were under one year old.

Additionally, our review of the enrollment data revealed that critical fields for some participants were blank. For example, there were an additional 264 case records without a “Funding Type” listed.

While the errors we found in CARES were evident for only a little over three percent of the records, they nonetheless indicate that HRA has not established adequate controls over the information that is included in that database. In particular, we found that HRA has not established an effective process for making necessary adjustments in that system to account for the differences in the way populations are treated by CARES and by the Homebase program. For example, CARES counts all individuals under 21 as children, while Homebase only counts as children individuals 18 and under and those who are 19 so long as they are in school full time. In addition, single pregnant women are listed as single in CARES but classified as a family with children in Homebase. According to HRA, these distinctions account for some of the discrepancies noted in the data. HRA also attributed some discrepancies to data entry errors. We found, however, that HRA does not consistently conduct reviews (such as case file reviews) that would have likely identified the discrepancies we found.

Inconsistencies in MMR Reporting

According to the Comptroller’s Directive #1 *Financial Integrity Statement Checklist*, the indicators in the MMR should effectively reflect the agency’s performance. It also states that internal controls are intended to provide reasonable assurance that reliable data is obtained, maintained and fairly disclosed in reports. However, our review of Homebase records revealed inconsistencies and duplicate records, which render HRA’s Homebase MMR reporting less reliable.

HRA’s principal MMR reporting metric for Homebase is the number of clients receiving Homebase preventive services that did not enter the shelter system within one year of enrolling in Homebase. The information is reported for clients identified in the following three categories: (1) single adults; (2) adult families; and (3) families with children. The figures for each category are reported as percentages, with the numerator representing the number of Homebase clients who enrolled in Homebase during the year and entered a shelter within one year of enrollment and the

denominator representing the total number of clients enrolled in Homebase during the year. According to HRA, the client return data is unduplicated and is based on the CARES ID assigned to a family, so that each family that enters the shelter system is only counted once, regardless of the number of times the family may return to a shelter during the period.

Our audit identified multiple inconsistencies in the reporting of the types of information described above in the MMR. Preliminarily, we note that although families (both with and without children) must file an application for shelter regardless of whether it is a first-time placement or a return placement, single adults who return to shelter within 365 days from their last shelter exit are not required to file a new application. Consequently, contrary to HRA's stated practice, applications for shelter cannot be used to accurately calculate the number of single adults that return to shelter within a year of enrollment. HRA did not identify a mechanism by which single adult returns are accounted for in its calculations regarding returns to shelter.

We also found that there were duplicate records in the yearly return to shelter client figures reported for all three family types. Among other things, we found the following duplicate records identified for families with children:

- 102 of the 1,156 records classified as families with children who returned to shelter in 2017.
- 159 of the 1,289 records classified as families with children who returned to shelter in 2018.

Additionally, for clients who return to Homebase multiple times during a year, each return to Homebase is counted as a unique enrollment, resulting in duplicate clients in the enrollment numbers.

Further, we found that HRA does not treat clients who receive advice cases consistently in the MMR data. Clients who receive advice services are included in the enrollment figures for all families with children, adult families, and single adults. Regarding the returns to shelter, however, clients who receive advice service are included in the figures for families with children only and not in the figures for adult families and single adults.

DSS did not implement clear and consistent guidelines for the calculation of the retention information reported in the MMR and lacks oversight over the process to ensure that the figures reported are accurate. Specifically, we found that:

- The programming logic created by DSS to extract the client information from CARES for clients who returned to shelter does not include single adult clients who return to shelter without filing a new application.
- DSS does not have a process for identifying and removing duplicates from the shelter return data over the year.
- DSS does not include any advice cases involving single adults and adult families returning to shelter in its MMR reporting.¹⁰

¹⁰ According to DSS, this is because the number is small due to limited funding for these family types. Consequently, the agency did not believe it was essential to create a procedure for including these cases in its return to shelter calculations.

These inconsistencies and omissions are of concern. If not corrected, they could increase and have a material impact on the accuracy of the figures used by management to make operational decisions relating to the Homebase Program.

DSS Does Not Retain Supporting Data for MMR Reported Figures

According to the Comptroller's Directive #1 *Financial Integrity Statement Checklist*, internal controls are intended to provide reasonable assurance that reliable data is obtained, maintained and fairly disclosed in reports. However, DSS did not maintain the records to support the figures it reported in the Fiscal Year 2018 MMR for the Homebase indicators and thus may be missing critical information necessary to establish the reliability of the data it reports.

We requested the data in February 2019, at which time DSS initially informed us that it did not maintain the back-up level data for the indicators. However, in March 2019, officials informed us that the agency was "following up on whether or not the original files are available." In April 2019, DSS provided us with data that purportedly formed the basis for the MMR-reported figures. However, the length of time it took DSS to provide the data in conjunction with DSS' original statement that the data was not maintained raises questions as to when this data was generated.

Furthermore, when we attempted to reconcile the yearly totals reported in the MMR for returning clients for each family type with the yearly return totals for each family type as reflected in DSS' CARES enrollment data (which forms the basis for the figures reported in the MMR), we found that none of the totals matched. For example, DSS reported 1,124 returning clients for families with children in the MMR for Fiscal Year 2017 while the CARES enrollment data provided to us indicates that there were 1,156 returns to shelter within one year of enrollment in Homebase that year. Additionally, DSS reported in the MMR that 387 single adults returned to shelter in Fiscal Year 2018 while the CARES enrollment data provided indicates that there were 364 returns. DSS officials stated that the numbers differed because they count the returns based on intake center and we counted the returns based on family type (families with children, single adults and adult families). However, we were informed that the intake center for families with children is always identified as "Path," and nonetheless found 63 instances where families with children were listed where intake centers were identified with something other than "Path." As a result, we determined that counting by intake center is not an accurate reflection of the returns based on family type.

Inconsistencies, if material, distort the performance figures reported for the program. For instance, as noted, single adults who return to shelter within 365 days from last shelter exit without filing a new application are not included in the return to shelter number. This omission effectively reduces the numerator for the single adults' calculation.

Recommendations

13. DSS should ensure that CARES has proper validation rules to prevent clients from being assigned to incorrect funding type, family types, or service levels.

DSS Response: DSS partially agreed with this recommendation, stating, "DSS disagrees with the implication that CARES presents any risk to claiming. The process in place for DSS to claim appropriate non-City funds is sound, which is the reason why funding type is irrelevant. CARES is not the system that contains the information that relates to the claiming rules for non-shelter programs. There is no risk that the agency is claiming incorrectly, as Finance performs an independent match process. . . . Nonetheless, ITS will determine if adjustments can be made to CARES to follow Homebase business rules regarding the

definition of family type. However, we reiterate that this does not cause a claiming risk.”

Auditor Comment: We question HRA’s claim that CARES does not contain information relating to claiming rules. This is because, while HRA does not identify the components involved in Finance’s match process in its response, officials did refer to a match involving public assistance information in the City’s Welfare Management System at the exit conference for this audit. However, such a match may not be sufficient to cover all clients because the receipt of public assistance is not a Homebase EAF or ESG eligibility requirement. Moreover, we note that the CARES information at issue is also important for determining program eligibility, service levels and length of service, as well as for MMR performance reporting. Accordingly, we urge DSS to fully implement this recommendation.

14. DSS should strengthen its controls over the calculation of the retention data to ensure that the criteria set are consistent and the figures reported in the MMR are accurate.

DSS Response: DSS partially agreed with this recommendation, stating that it “[a]gree[s] that the logic for singles returns and the consistent inclusion of advice cases should be changed.

An adjustment has been made to the logic for single adults to use a night in shelter rather than an application when looking at returns. Additionally, Homebase advice cases are now included for all case types. The FY19 MMR used this updated methodology.

[DSS] [d]isagree[s] that the duplicate records are an issue.

The duplications identified are instances where there is more than one enrollment for a specific client within a fiscal year. Homebase is designed to allow multiple enrollments if clients need assistance. In these cases, the Agency believes that it is appropriate to evaluate returns for each enrollment separately.

The Comptroller’s auditors appear to be misinterpreting the Agency’s statement on how instances when a client might have more than one shelter entry date are handled. If a client has multiple re-entries to shelter within the year after their Homebase enrollment, the agency’s logic unduplicates to just count the client as entering once per enrollment.”

Auditor Comment: We are encouraged that DSS has updated its methodology for the MMR retention data reporting. However, we did not misinterpret how the agency handles instances when a client has more than one entry date. As we state in this report, we identified individuals with one enrollment date, but for whom multiple returns to shelter within a year were included in the MMR data. For example, the shelter return data for one case involving a family with children that enrolled in Homebase in August 2015 indicates that the family entered shelters on February 21, 2016 and June 4, 2016, and each entry was included in the returns data reported in the MMR, which contradicts DSS’ claim that its MMR data counts clients only once per enrollment. Accordingly, we urge DSS to fully implement this recommendation.

15. DSS should ensure that notes are appropriately added to the indicators in the MMR in instances where the calculations are not using the same criteria and where information is included or excluded for a specific indicator.

DSS Response: DSS partially agreed with this recommendation, stating, “[HRA] [a]gree[s] that instances where calculations are using different criteria should be noted, but in this case, we believe that no note is necessary given the change regarding including advice cases. Advice cases are now handled consistently in the FY 2019 MMR, so there is no need for a note.”

Auditor Comment: While HRA states that it only partially agrees with this recommendation, it does not identify the portion of the recommendation with which it disagrees. Further, we do not agree with HRA’s assertion that notes are not needed. Rather, even with HRA’s changes, the need for notes to have been included in the 2017 and 2018 MMRs remains; they are needed to disclose that the same criteria was not used to calculate the returns data reported for all three family types. Nevertheless, we are pleased that HRA has made changes to the criteria for the MMR reporting.

16. DSS should ensure that it maintains the backup level data to support and substantiate the figures reported in the MMR.

DSS Response: DSS partially agreed with this recommendation, stating, “DSS has previously maintained backup data to support this MMR indicator outside of administrative systems, but we do not believe that maintaining separate records is a universal requirement.”

Auditor Comment: Since DSS is reporting information on Homebase returns as key indicators in the MMR, it is important for DSS to maintain the backup level data to support and substantiate the figures it reports. Accordingly, we urge DSS to fully implement this recommendation.

Exception and Override Policies Are Not Clearly Documented

The determination of what level of services Homebase clients need is made by assessing the client and assigning a “risk assessment score” based in large part on information summarized in a Risk Assessment Questionnaire (RAQ). According to the Source Book, the associated risk assessment score determines the level of service (*i.e.*, a risk assessment score of 6 or below warrants “advice” as the level of service; a score of 7 or more should result in “full” as the level of service; and a minimum score of 7 and a suggested score of 12 or more is needed for a client to receive an “intensive” level of service).

We found that service levels can be changed by the providers through manual overrides. However, we found that HRA has not set forth clear and consistent policies under which these overrides can occur and communicated them to the providers. Rather, we identified inconsistencies between the override criteria cited in the Source Book and what HRA officials told us.

The CARES Business System Design – Risk Assessment Questionnaire states, “The RAQ score will be calculated upon each save of the screen based on point values assigned to each question. This score will . . . assist the user making the eligibility determination.” Some factors considered for determining the RAQ are household composition, household income, whether the family receives public assistance and shelter history.

The Homebase Source Book also states that level of service to be provided in individual cases can be manually overridden and upgraded from advice to full or full to intensive and downgraded from full to advice or intensive to full. In such instances, according to the Source Book, the case

must be documented as an “override” in CARES. Further, the Source Book states that there must be Homebase supervisory approval in order to downgrade service levels, that providers must develop a method to document such an approval, and that a record of the approval must be maintained in the client’s case record.

At the same time, according to HRA, PCS requires providers to submit a form requesting approval for enrollments that represent “exceptions” to PCS’s policies. “Exceptions” are required to be noted in the CARES case notes. Homebase providers submit “exception” request forms to PCS via email and PCS staff compiles a list of these “exceptions” and the periods to which they pertain in a spreadsheet, known as an “exception spreadsheet.”

HRA officials further stated that “exceptions” include instances where providers request approval to override the RAQ score criteria only for compelling ESG cases where there is a low RAQ score. However, HRA also stated that, in general, overrides are not considered “exceptions,” with the one departure from this policy being ESG cases under the limited circumstances just described. While HRA officials provided limited verbal information about its “exception” procedures, it does not have written policies outlining what is considered an “exception,” when “exception” requests are required to be submitted, and what approvals are needed.

Moreover, as noted, we identified inconsistencies between the override criteria cited in the Source Book and what was told to us by HRA officials. While the Source Book states that overrides can be made from full to intensive services, according to HRA, a RAQ score of 7 or more can receive either full or intensive services based on the discretion of the provider and are not considered to be overrides. This contradicts what we found in the enrollment data recorded in CARES for Fiscal Years 2018 and 2019. Although HRA stated that there are no overrides from full to intensive services, we identified more than 500 individuals each year listed in CARES with case types “override full to intensive.” We also saw instances where cases with low RAQ scores were listed in the enrollment data as “override advice to intensive” and cases with high RAQ scores were listed as “override intensive to advice,” which is inconsistent with HRA’s stated criteria. However, the Source Book is silent on whether these types of overrides are allowable and whether HRA approval is required in these cases.

As noted previously, a minimum of 25 percent of the providers’ case enrollments must be intensive cases. Without a clearly defined RAQ score or requirement for override approvals, HRA incurs an increased risk that providers may inappropriately enroll clients needing full services as intensive in order to meet the 25 percent quota.

Recommendations

17. HRA should clearly document its exception and override policies in written procedures and ensure that the procedures are shared with the Homebase providers.

HRA Response: HRA agreed with the recommendation, stating, “The Homebase Sourcebook will be updated to include more information on exceptions and overrides. In addition, these updates will be shared with our Homebase providers.”

18. HRA should make a determination as to what overrides are allowable and modify its Homebase Source Book to clearly indicate the types allowed and the requirements for approving and documenting them.

HRA Response: HRA agreed with this recommendation, stating, “The Homebase Sourcebook will be updated regarding override policy.”

Other Matter

HRA does not fully track clients who return to the Homebase Program in ways that could enhance its ability to evaluate the services provided. Rather, according to DSS officials, clients who return to Homebase for assistance with a new housing crisis are allowed to open a new Homebase case. While HRA maintains that this means that all services are adequately tracked, we note that by simply opening a new case and not automatically connecting the new request for services to any prior Homebase cases, HRA reduces its ability to evaluate the effectiveness of the program. Further, it reduces its ability to identify instances where specific providers may not be performing satisfactorily in assisting clients. Multiple returns to Homebase could be a significant indication that the program is not working as intended. Also, by not tracking such returns, HRA increases the risk that providers may artificially inflate their enrollment data by enrolling the same clients multiple times during the same period.

We found that 2,661 (11 percent) of 24,938 households with service start dates during Fiscal Year 2018 (July 1, 2017 through June 30, 2018) returned to Homebase from one to four additional times within the same 12-month period after their initial cases were closed. Out of these 2,661 households, 1,860 came back and received the same level of Homebase service more than once.

In addition, our review of 50 sampled cases found that 8 (16 percent) of 50 clients returned to Homebase within 9 months after the cases were closed (three returned within 60 days). We also found that 19 (38 percent) of the 50 sampled cases involved clients who had received Homebase services within 36 months *prior* to the initiation of the cases we reviewed—three had previously received services less than 60 days before receiving service in the sampled cases. For example, one of the sampled cases involved a client who enrolled in the Homebase program on January 2, 2018 and exited the program May 3, 2018. A further review of the client’s participation revealed that the client had previously enrolled on October 10, 2017 before the January 2018 enrollment. The client subsequently left Homebase and again enrolled on October 19, 2018. As of March 19, 2019, this case was still open.

Recommendation

19. HRA should consider tracking the number of clients who return to the Homebase Program after their cases are closed.

HRA Response: HRA disagreed with this recommendation, stating, “From a programmatic perspective, there is no useful reason for marking someone as a return. Disagree that a return to Homebase indicates any failure to the program.”

Auditor Comment: As noted, one of the goals of Homebase is to “achieve housing stability.” Thus, tracking clients that return to Homebase should be a critical element of monitoring the effectiveness of the individual providers and the program overall. Specifically tracking clients who return to Homebase may help identify weaknesses in the service provisions. Comparing trends from month to month and year to year may provide insight into problem areas in preventing homelessness or providers that are not doing as well as others in helping clients remain stable in their housing. Accordingly, we urge DSS to fully implement this recommendation.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was July 1, 2016 through March 6, 2019.

To obtain an understanding of the management of the Homebase Program, we obtained the organization chart of units responsible for monitoring the providers and managing the Homebase contracts. To obtain an overview of the Homebase Program we interviewed the Deputy Commissioner of the Homelessness Prevention Administration and the PCS Associate Commissioner and Director. To obtain an understanding of DSS' oversight over the program and to evaluate controls in place, we conducted walkthrough meetings and observations, and interviewed relevant DSS officials of several units from the PCS division, including the Contracts/Data unit, the Special Projects unit, and the Community and Homeless Services (Regional Teams) unit, including Regional Deputy Directors and Coordinators. We also interviewed personnel from the Office of Planning and Performance Management to get an understanding of their roles in the reporting of homelessness prevention indicators in the MMR.

To obtain an understanding of the Homebase case management process, we judgmentally selected five providers based on their contract budgets and one location for each provider. We visited the locations and interviewed program directors, program managers, program supervisors, and case managers. Furthermore, to gain an understanding of the financial processes related to the Homebase Program, we interviewed the providers' finance department staff. During the site visits, we conducted observations of both CARES and the HHS Accelerator systems.

In addition, to gain an understanding of relevant policies, procedures, and regulations related to the Homebase Program, and assess controls in place, we reviewed and used as criteria: the Homebase contracts executed in October 2017, the Homebase Source book, the Human Service Providers Fiscal Manual, dated July 2017, the Performance Evaluation reports, the enrollment target reports for Fiscal Year 2017 and 2018, the Fiscal Year 2018 MMR, and prior audit reports issued by the Office of the New York City Comptroller relevant to the objectives of the audit, titled *Audit Report on the Department of Homeless Services' Monitoring of the Homebase Program*, # MG12-125, issued on June 27, 2013; and *Audit Report on Advance Payments Made by the Department of Homeless Services to Adult Shelter Providers*, # FP17-099A, issued on January 17, 2018. We also reviewed the implementation plans for these audits to determine whether DSS implemented the previous audit recommendations. Further, we reviewed the CARES system manuals (Cares Business Design) and the HHS Accelerator system documentation used in recording, processing, tracking, and reporting clients' information and Homebase financial data, and any other relevant documentation printed from websites or provided by the units or staff we interviewed.

To assess DSS' controls over the payment process, we determined whether the providers were paid according to the contract terms and the budget allocations and whether the payments were appropriate and supported by approved invoices. We obtained DSS' payment records for Fiscal Years 2017 through October 3, 2018 and generated a list from FMS of payments made to

Homebase providers for the same period and reconciled these records. Furthermore, to assess controls over advance payments, we verified whether advance payments made to providers were recouped in a timely manner and whether PCS complied with the Fiscal Manual procedures with regard to advances. We also determined whether DSS complied with the final close-out process by reviewing the close-out invoices for all 27 Homebase contracts for which close-outs should have been submitted during our audit scope.

To assess the reliability of the enrollment data generated from CARES, we performed various analytical reviews using Audit Command Language (ACL) database to determine whether the data was complete and accurate. DSS provided three data files generated from CARES of Homebase participants served in Fiscal Years 2017, 2018 and 2019 through October 3, 2018. We combined the three files and obtained a listing of 99,030 records, which represented 35,216 unique cases. We used ACL to identify duplicates in critical fields such as CARES ID and Case Number, and blank records in fields such as date of birth, funding type, family type, and eligibility determination. In addition, we determined whether participants were assigned the correct funding source, family type, and service type, and we calculated the age of the individuals listed as “primary members” to determine whether they were adults. We analyzed the discrepancies to evaluate controls in CARES. To determine the accuracy and completeness of the enrollment data, we further verified sampled clients’ information in CARES by selecting five case files from each of the five sampled providers’ filing cabinets and tracing the information in the clients’ case files to the enrollment data.

To determine whether DSS has adequate oversight over the Homebase providers, we determined whether it complies with the case review process by interviewing the appropriate official and analyzing the most recent 16 case reviews performed by PCS unit. We also determined whether DSS complied with its requirement to conduct Fiscal Audits of each Homebase provider. Further, we determined whether DSS enforced the requirement that providers submit copies of their certified financial statements annually. To assess the reliability of DSS’ tracking tools, we obtained and analyzed the PCS recidivism reports and supporting data and evaluated the Homebase prevention percentages reported in the MMR. Moreover, to assess the adequacy of DSS’ monitoring tools, we reviewed DSS’ performance evaluation scorecards for the period of October 1, 2017 to September 30, 2018 and the enrollment target reports covering the weeks of July 1, 2016 through February 2019 for sampled cases.

To assess DSS’ monitoring practices and its controls over the management of the Homebase Program, we conducted detailed testing of 50 randomly selected cases from our population of 35,216 cases. We randomly selected 10 case files from each of the five sampled providers and determined whether DSS ensured that providers complied with all eligibility assessments and documentation requirements of the Source Book and the Fiscal Manual. We also assessed DSS’ oversight over instances where risk assessment scores were overridden to provide upgraded or downgraded levels of service to determine whether DSS approved the overrides and monitored that they were appropriately documented in CARES for the sampled case files, when applicable. We also determined whether the applicable cases appeared on DSS’ Overrides Tracking spreadsheet and compared the information in this spreadsheet with cases listed in the enrollment data as overrides for the period of July 3, 2017 to October 31, 2018 to determine whether all overrides appeared in the tracking spreadsheet.

The results of the above tests, while not projected to their respective populations, provide a reasonable basis for us to assess the adequacy of HRAs monitoring of the Homebase Program.

Homebase Providers Contractual Requirements

Provide to HRA an annual audit report from an independent certified public accountant.
Provide advice, full and intensive services to clients.
Meet minimum enrollment targets set by HRA.
Serve a minimum number of households per year.
Reassess intensive cases every 90 days.
Close full service cases after 120 days.
Conduct outreach, engagement and assessment.
Provide case management services to support ongoing housing stability, including housing preservations, landlord and family mediation, employment and training services, and service referrals.
Assist clients at risk of homelessness to secure available public or private financial and rental assistance, including Public Assistance and grants from HRA.
Provide stabilization services when households first move from shelter to tenancy in community, or begin a new rental assistance program, as a means of preventing shelter entry.
Comply with all HRA electronic or paper-based reporting requirements and thoroughly document case work.
Develop and implement appropriate quality assurance procedures to ensure high quality targeting of potential applicants, screening of applicants, determining and documenting eligibility, developing a service plan, disbursing and documenting financial assistance, and data collection and reporting.

DETAILED DISCUSSION OF THE HRA RESPONSE

In its response, HRA strongly objected to many of the audit's findings. Unfortunately, in challenging many of the audit's findings, HRA makes numerous inaccurate statements, misrepresentations, and critical omissions. We have added this Appendix to specifically address the main issues raised in the HRA response. (For the full text of HRA's response, see the Addendum to this report.)

Re: HRA/DHS Fiscal Manual

HRA's Response

The "Human Resources Administration/Department of Homeless Services Human Service Providers Fiscal Manual" (Fiscal Manual) which is cited in the Draft Report as the source of the audit frequency and completion standards applied by the New York City Comptroller, does not exist. The Human Resources Administration (HRA) and Department of Homeless Services (DHS) have issued separate Fiscal Manuals. This stems from the history of the two agencies as distinct entities. The scope of this audit appears on page 6 of the Draft Report as July 1, 2016 to March 30, 2019. Homebase was moved under HRA from January 1, 2017, so for most of the purported period of review the Homebase Program was monitored by HRA, not DHS.

Auditor Comment

We are perplexed by HRA's claim that the Fiscal Manual we refer to in the audit does not exist. In response to our request for HRA's policies and procedures for processing and recouping advance payments, the agency provided the above-mentioned document (cover date of July 2017) on February 15, 2019. The Fiscal Manual provided to us by HRA was specifically relied on in the preliminary draft report we gave to HRA. As noted, that report was discussed at length with HRA and those discussions, along with new information provided by the agency, resulted in changes that were made to the draft report. However, although HRA now claims that a separate Fiscal Manual was issued for HRA, agency officials failed to ever tell us about it or provide us with a copy, so we are unable to confirm its existence.

Re: Case File Reviews

HRA's Response

The "material inconsistencies" referred to in the report are based on the auditors' insistence that draft versions of the case file summaries they obtained and relied on in error, were really "final" documents. There is no basis for deeming them final other than the fact that the auditors obtained them by circumventing usual channels for requesting documents. They were in fact still in draft form and **had not been issued to the providers**. [Emphasis in the original.]

The conclusions on page 11 of the report are based on documents the auditors obtained from a PCS share folder in a manner which HRA has never experienced with any previous NYCC audit team, or indeed with any other governmental audit team. The auditors identified themselves to a member of the staff as auditors from the NYC Comptroller's Office, stated that they were entitled to access all documents on file, and then directed the staff member to open the share drive and print out documents on demand. The documents the auditors obtained in this way were still in draft form. They had not yet undergone the normal internal review process, and they had not yet been issued to providers. The documents relied on by the auditors contained many errors which were corrected on review.

Auditor Comment

There was nothing unusual about the manner in which we obtained the case file review summaries. During a March 2019 meeting with a PCS Regional Deputy Director to discuss the case file summaries, we requested the summaries, which is a customary practice during an audit. Moreover, as noted, we received the summaries from the PCS Regional Deputy Director herself, not line staff, as HRA incorrectly claims. It is also noteworthy that neither the Regional Deputy Director, nor the Quality Assurance coordinator with whom the Deputy Director conferred prior to providing the summaries, indicated that the summaries were not final.

As stated in the report, HRA officials claim that the agency shared the "final" case file review summaries with providers (via email) on May 19, 2019. However, when we had met with officials nine days prior on May 10, 2019 to discuss our findings regarding our analysis of the case file reviews, officials made no claim that the summaries we were provided in March were draft versions. It was not until the following month, at the exit conference held on June 19, 2019, that officials first claimed that the files initially shared with us were merely drafts.

Moreover, it is noteworthy that HRA essentially argues that as of March 2019 the case file reviews had still not been reviewed by supervisors or shared with providers almost a year after they were conducted (the site visits for the reviews took place in May and June 2018). Considering that the purpose of these case file reviews is to ascertain that participants meet eligibility criteria and are not provided services for which they are not entitled, this claimed delay in finalizing the reviews and sharing the results with the providers significantly undermines the usefulness of such reviews.

HRA's Response

Management was not aware that the draft documents had been provided to the auditors, and when management later provided final documents, these were rejected out of hand.

Auditor Comment

None of the summaries provided by HRA officials "were rejected out of hand." They were reviewed by the auditors and we clearly state in the report that the revised summaries had significantly fewer findings. However, HRA's failure to make its claim about the summaries in a timely manner, most notably when we discussed our findings with officials, and the fact that the "final" versions neither identify the approvers nor the dates that the summaries

were completed, raises questions as to the documents' authenticity and limits the degree of reliance that we can place on them.

HRA's Response

The draft versions of the case file review summaries were prepared by mostly new staff who were participating in case reviews for the very first time. The Homebase case file review process was new to PCS. While PCS was under DHS, PCS staff were not responsible for case reviews. The draft documents contained many errors which are reflected in Table I on page 11 of the report. Table I alleges that 67 deficiencies were found by PCS during its case file reviews. In truth, PCS found and documented 25 deficiencies, as laid out below in table form. Supporting documentation was provided to the auditors during the audit. This was also disregarded on the basis that the final documents, and information provided by the PCS Director, were not credible.

Auditor Comment

HRA's claim that the case file reviews were performed by mostly new staff undermines its rationale for delaying its examination of those reviews for almost a year after the staff performed them. Additionally, HRA's statement that it provided us with documentation supporting its determinations to reduce the number of deficiencies from 67 to 25 is not correct. Neither during the audit nor in its response did HRA ever provide any documentation or otherwise identify the basis upon which it deemed that the remaining 42 deficiencies (67 – 25) from the initial case file review summaries were recorded in error. Furthermore, considering the fact that memories fade and the availability of documentation generally decreases over time, the length of time that elapsed between the conduct of the reviews and the supervisory examinations of those reviews raises questions as to the reliability of the evidence underlying HRA's decision to disregard these reported deficiencies.

Re: Case File Deficiencies

HRA Response

Table II . . . of the report and related analysis suffers from many of the same defects as Table I. The auditors arbitrarily disregarded documents and explanations provided to them by the PCS team. As a result, it contains fundamental errors of fact. . . .

Auditor Comment

Again, HRA's claim that we disregarded documents provided by HRA is incorrect. We not only considered the documentation submitted after the exit conference, but made modifications to Table II based on it.

HRA's Response

With respect to the attached Table, we note the following problems with the auditors' findings:

1/ CTI. The Source Book provides that all individuals receiving intensive service should also follow the CTI Model. We are unable to review the auditors' findings on CTI because they have not explained their rationale for them. When asked to discuss this issue they declined to do so.

Auditor Comment

HRA's claims that we did not provide our rationale for the CTI finding is not accurate. We provided a response to HRA's request for the criteria used to determine whether or not a case was managed by the CTI model on July 9, 2019. After we provided our explanation, we received no additional questions or responses from HRA with regard to this issue.

HRA's Response

2/ Home Visits. PCS provided proof that 6 of the 9 cases identified as needing Home Visits did not require home visits. The auditors were incorrect in reaching their conclusion that 9 cases required a visit.

Auditor Comment

The Draft report issued to HRA identifies six cases needing home visits, not nine. Furthermore, contrary to HRA's claim, the agency previously agreed that three of those six cases did require home visits. For the remaining three cases, HRA claimed that home visits were not required because they were not intensive and no financial assistance was provided. However, in all three instances the applicants were applying for CityFEPS which, according to the CityFEPS Rental Assistance Procedure and Protocol Guide, requires a visual inspection/walk through of the apartment by Homebase staff before submitting the application to HRA's Rental Assistance Unit.¹¹

HRA's Response

3/ Cases in Program over 90 days are reassessed. The auditors relied exclusively on whether the drop down was used and refused to consider information entered in the "notes" section of each case file.

Auditor Comment

HRA provided no evidence to indicate that the case notes showed that cases were reassessed. We therefore have no basis to alter this finding.

HRA's Response

4/ Income Source Document. The Homebase sourcebook allows for providers to use a self-declaration of income when necessary and the auditors ignored this policy.

Auditor Comment

In instances where HRA accepts a self-declaration of income, the Source Book requires that Homebase staff document efforts to obtain third party information (e.g., phone logs, email correspondence, copies of certified letters.) However, there was no evidence that any of these efforts were made for three of the four cases cited in the table. For the

¹¹ CityFEPS is a rental assistance program that provides assistance to eligible families with children who are risk of entry to shelter or are currently residents in shelter, to secure permanent housing. Homebase will assess families most at risk of homelessness to be considered for CityFEPS.

remaining case, the provider stated in CARES that the client had public benefits but there was no printout from the Welfare Management System, as required by the Source Book, to document receipt of public benefits.

HRA's Response

5/Financial assistance documented in HHS. The auditors incorrectly concluded that in 7 cases financial assistance was not documented in HHS. In three of the seven cases the auditors incorrectly determined that financial assistance was provided. PCS found no evidence of financial assistance in 3 of those cases and found only a gift card in a 4th. Gift cards are not a form of financial assistance under the program rules. Invoice numbers and ledger entries for the remaining three were documented in HHS as required.

Auditor Comment

Contrary to HRA's response, the auditors did not count gift cards as financial assistance. In addition, despite having shared the specific case files in question with HRA during the course of the audit, the agency never stated that it disagreed with the financial assistance issues cited in the report, even after it was provided with a preliminary draft report and thereafter engaged in extensive discussions with us regarding our preliminary findings. Unfortunately, when objecting to these findings now after receiving them in the draft report, HRA provides no documentary evidence to support its challenge. In the absence of such evidence, we have no basis to alter this finding.

HRA's Response

5/ Financial assistance documented in the case file. The auditors incorrectly determined that 5 cases were missing documentation of financial assistance. In three of those cases, no financial assistance was provided. The auditors once again counted gift cards as financial assistance. This was an error. The two remaining financial assistance grants were documented in CARES and Accelerator.

Auditor Comment

Contrary to HRA's response, the auditors did not include gift cards as financial assistance, but did identify issues with the required documenting of the issuance of two gift cards, which were not recorded in HHS as required. The financial assistance for the remaining three cases was also not recorded in HHS as required. HRA provided no evidence to refute any of these financial assistance findings. We therefore have no basis to alter this finding.

HRA's Response

6/ Financial assistance approved. The auditors concluded that in 5 cases Homebase had not approved financial assistance. In 1 of the 5 cases financial assistance was being provided to the client. In the remaining 4 instances, PCS provided documentary proof of the records having been approved.

Auditor Comment

HRA's claim that it provided documentary proof of the records having been approved is incorrect. As stated previously, HRA provided no additional records with regard to any of

the financial assistance issues cited in the table. Therefore, we have no basis to alter this finding.

Re: Home Visits and Habitability

HRA Response

The auditors' conclusions are once again wholly inaccurate. In all 5 instances the conclusions are premised on a home visit and the failure of Homebase to act on conditions which rendered the apartment inhabitable. In 3 of the 5 instances, no home visit was made by Homebase, either because it was not warranted or because it was not possible due to client circumstances – in two of these instances the client was referred to HPD. This was appropriate. In 1 case the client was no longer living in the apartment and Homebase was in process of assisting the client transition to a new apartment. In 1 case, the apartment was a NYCHA apartment in which an extermination had recently been performed and in which a judge had ordered NYCHA to conduct the necessary repairs. In 1 case the case notes reflect generally good conditions and that a letter was sent to the landlord requesting repairs.

Auditor Comment

We are unable to substantiate the claims made by HRA because documentation supporting the statements that the agency made in its response was not in the clients' case files when we conducted our case file reviews. In addition, HRA did not provide any documentation to refute these findings after we shared these specific cases with them prior to the exit conference or at any time thereafter. Accordingly, we find no basis to alter this finding.

Re: Timely Completion of Audits

HRA's Response

The DHS Fiscal Manual relevantly provides that: "***Over a three-year cycle, it is expected that each Provider will be audited at least once.***" Despite the unambiguous language in the manual the Comptroller's auditors have unilaterally concluded that the word "***Providers***" really refers to "***vendor contracts***", and they have applied this standard in reaching their conclusions in the Draft Report. This is inappropriate on many levels. . . .

The DHS Fiscal Manual does not require that, for example, the 2015 fiscal year audit must be completed by 2016 or 2017. In interpreting the guidance in this manner, the auditors have arbitrarily misconstrued an internal policy to suit their own conclusions. This runs contrary to Government Accounting Standards.

DSS not only meets the standard for auditing DHS ***providers*** but strives to audit every ***vendor contract*** once in three fiscal years, as circumstances permit. DSS is very concerned with ensuring that an effective audit program exists, not only for the sixteen Homebase contracts but for all DHS vendor contracts. . . . [Emphasis in original.]

Auditor Comment

HRA's claim that we misconstrued the agency's internal policy to suit our own conclusion is without merit. Rather, the standard referred to in the audit is consistent with exactly what HRA says it "strives" to achieve. This standard is consistent with the fact that, as stated in the report, untimely fiscal audits weaken DSS' ability to ensure that funds are being appropriated correctly and that providers comply with contractual requirements. Hence, fiscal audits should be conducted in a manner that provides management with timely information to allow for prompt recoupments for disallowed expenditures and the implementation of corrective measures for any deficiencies that are identified. Allowing six years to conduct such audits undermines the intended benefits of such audits.

As we state in the report, for the three-year period ending in Fiscal Year 2015, DSS audited *both* of the Homebase contracts it had with each of three providers but audited neither of the two Homebase contracts it had with a fourth provider. Further, we identified another two providers with one Homebase contract each and found that DSS audited neither of those contracts as well.

HRA's Response

The auditors responded by email dated October 8, 2019 with the names of three providers, with initials "BWI", "CCNS" and "PI". According to our records, the contracts of all three providers have been audited during this period, without exception. . . . The audited contracts were not exclusively Homebase contracts, but each of the Homebase providers underwent at least one audit of a DHS program during the three-year cycle ending in FY2015. This meets the expectation stated in the DHS Fiscal Manual.

Auditor Comment

We cannot confirm DSS' claim that fiscal audits were conducted for the three named providers because the agency did not provide the fiscal audits in question. We also find DSS' implied argument that a fiscal audit of a Homebase provider's contract with another DSS program would suffice in assessing contract compliance for Homebase to be unpersuasive. Contracts of different programs have different provisions; consequently, limiting the fiscal audits to a vendor rather than to a program, will not identify issues specific to a provider's compliance with the specific program provisions. In addition, according to an October 4, 2017 memorandum regarding Homebase contract risk mitigation strategies, "each provider will receive at least 1 audit within the contract term." The accompanying schedule showed that four of the seven providers would be audited in Fiscal Year 2018 and the remaining three in Fiscal Year 2019, indicating a goal for each Homebase provider to be audited.

Conclusion

Overall, after carefully reviewing HRA's arguments, we found them to be without merit. Accordingly, we stand by our findings.



**Department of
Social Services**

Human Resources
Administration

Department of
Homeless Services

Office Of Audit &
Quality Assurance

October 25, 2019

Steven Banks
Commissioner

Marjorie Landa
Deputy Comptroller for Audit
New York City Office of the Comptroller
1 Centre Street, room 1100
New York, NY 10007

Molly Murphy
DSS First Deputy
Commissioner

Saratu Ghartey
Chief Program
Accountability Officer

Re: Corrective Action Plan for the Audit Report on
the Human Resources Administration's Monitoring of
the Homebase Program MD18-139A

Maria Ciniglio
Deputy Commissioner

Dear Ms. Landa:

150 Greenwich Street
New York, NY 10007

929 221 7126

Thank you for sharing with us the draft report for the Audit of the Human Resources Administration's Monitoring of the Homebase Program (MD18-139A). We have reviewed the referenced report dated October 3, 2019, and our responses are enclosed. In addition to the agency's response to the audit recommendations, we have also submitted clarification documents to address errors, misrepresentations of fact, and to re-share information previously submitted to the auditors that they decided not to consider before issuance of the draft report. As set forth more fully in the attached documents, our objections relate specifically to the auditors' determinations regarding the Inadequacy of Case File Reviews (pp 9-12) and Case File Review Deficiencies (pp 16-18). We are requesting that the auditors review and revise the draft report to incorporate the information provided.

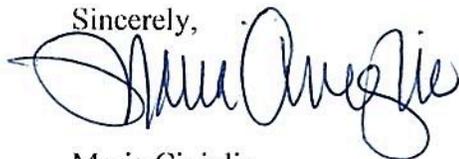
More generally we would like to express concern that the overall tone of the report lacked balance. We are concerned that the audit team was not fully objective in its assessment of our monitoring.¹ Specifically, there are a number of instances where the audit report implies, without evidence, that DSS/HRA leadership was dishonest in stating policy and practice and may have provided altered documentation. In more than one instance, it appears the auditors arbitrarily disregarded and challenged both the plain meaning of written policy, and the truthful and accurate statements made by Agency representatives.

¹ As noted in Chapter 3.11 of GAGAS, "*Auditors' objectivity in discharging their professional responsibilities is the basis for the credibility of auditing in the government sector. Objectivity includes independence of mind and appearance when conducting engagements, maintaining an attitude of impartiality, having intellectual honesty, and being free of conflicts of interest.*"

It is our mission to serve New York City's most vulnerable population in the most compassionate, efficient and effective manner, while adhering to all applicable rules, regulations and laws by which we are bound. While the agency does not agree with all the recommendations outlined in the report, we sincerely appreciate the efforts that your office has invested in this review.

We are confident that our responses demonstrate our commitment to improving our operations going forward. Should you have any questions, please contact Sonia Lamrhari, Director of the DSS Bureau of Audit Coordination at 929-221-5724.

Sincerely,

A handwritten signature in black ink, appearing to read "Maria Ciniglio". The signature is fluid and cursive, with a large initial "M" and "C".

Maria Ciniglio

Enclosures

**Clarifications to NYCC Draft Audit Report dated 10/3/19
NYCC Audit on the Human Resources Administration’s Monitoring of the Homebase Program-
MD18-139A**

HRA PCS finds it necessary to address fundamental errors, misrepresentations of fact, and refusals on the part of the Auditors to consider responses and documents submitted by HRA during the audit. As set forth more fully below, our objections relate specifically to the auditors’ determinations regarding the Inadequacy of Case File Reviews (pp. 9-12) and Case File Review Deficiencies (pp 16-18).

Inadequate Case File Reviews – Table I, page 11

The report states at page 11, *“We found a number of material inconsistencies in the 16 case file review summaries prepared by PCS. Specifically, we identified seven instances where the findings the reviewers made and the conclusions drawn by the reviewers were contradictory... Contradictory case file information, if given to providers, undermines the direction given by the agency and increases the risk that the providers will not understand what matters need to be addressed and will therefore not address them correctly.”*

The “material inconsistencies” referred to in the report are based on the auditors’ insistence that draft versions of the case file summaries they obtained and relied on in error, were really “final” documents. There is no basis for deeming them final other than the fact that the auditors obtained them by circumventing usual channels for requesting documents. They were in fact still in draft form and ***had not been issued to the providers.***

The conclusions on page 11 of the report are based on documents the auditors obtained from a PCS share folder in a manner which HRA has never experienced with any previous NYCC audit team, or indeed with any other governmental audit team. The auditors identified themselves to a member of the staff as auditors from the NYC Comptroller’s Office, stated that they were entitled to access all documents on file, and then directed the staff member to open the share drive and print out documents on demand. The documents the auditors obtained in this way were still in draft form. They had not yet undergone the normal internal review process, and they had not yet been issued to providers. The documents relied on by the auditors contained many errors which were corrected on review. Management was not aware that the draft documents had been provided to the auditors, and when management later provided final documents, these were rejected out of hand.

The draft versions of the case file review summaries were prepared by mostly new staff who were participating in case reviews for the very first time. The Homebase case file review process was new to PCS. While PCS was under DHS, PCS staff were not responsible for case reviews. The draft documents contained many errors which are reflected in Table I on page 11 of the report. Table I alleges that 67 deficiencies were found by PCS during its case file reviews. In truth, PCS found and documented 25 deficiencies, as laid out below in table form. Supporting documentation was provided to the auditors during the audit. This was also disregarded on the basis that the final documents, and information provided by the PCS Director, were not credible.

The auditors’ assertion that draft documents containing many errors are more reliable than formally issued, final documents, simply because the auditors obtained them through inappropriate procedure, is absurd. It is likewise absurd that documents reviewed up the chain, in the normal course of business, were less reliable or that they were significantly altered during the review process. A multi-layered review process of documents is standard practice within government agencies, and the review process quite frequently results in significant modification to improve clarity and correct errors. In this instance, the review process was undertaken prior to formal issuance of documents to providers as is standard practice.

Table 1 Based on PCS Final Case Review Summaries

EAF 2018	Contract	Benefit Findings		Income Findings				Financial Resources Findings	Total # of Findings
		# of files reviewed	# Missing or Insufficient Info	# Missing active Public Assistance Case	# Missing or Insufficient Info	# Incorrect Info	# Outdated Docs	# Earns Above Income Levels	
	1	5			1		2		3
	2	5	3		1				4
	3	5						2	2
	4	5	1		1				2
	5	5			1		1		3
	6	5			1	1			2
	7	5							0
	8	5	1	1	1				3
	9	5	2						2
	10	4							0
	11	5	1						1
	12	5	2		1				3
	13	5							0
	14	5							0
	15	5							0
Total	74	10	1	7	1	3	3		25

The above table reflects the true deficiencies found during case file reviews and issued to the providers.

Case File Deficiencies – Table II, page 17

Table II on page 17 of the report and related analysis suffers from many of the same defects as Table I. The auditors arbitrarily disregarded documents and explanations provided to them by the PCS team. As a result, it contains fundamental errors of fact. Please see attached as Appendix A an amended table which accurately depicts the deficiencies found by PCS on review of the case files and provides comments for each category of findings.

With respect to the attached Table we note the following problems with the auditors' findings:

1/ CTI. The Source Book provides that all individuals receiving intensive service should also follow the CTI Model. We are unable to review the auditors' findings on CTI because they have not explained their rationale for them. When asked to discuss this issue they declined to do so.

2/ Home Visits. PCS provided proof that 6 of the 9 cases identified as needing Home Visits did not require home visits. The auditors were incorrect in reaching their conclusion that 9 cases required a visit.

3/ Cases in Program over 90 days are reassessed. The auditors relied exclusively on whether the drop down was used and refused to consider information entered in the "notes" section of each case file.

4/ Income Source Document. The Homebase sourcebook allows for providers to use a self-declaration of income when necessary and the auditors ignored this policy

5/ Financial assistance documented in HHS. The auditors incorrectly concluded that in 7 cases financial assistance was not documented in HHS. In three of the seven cases the auditors incorrectly determined that financial assistance was provided. PCS found no evidence of financial assistance in 3 of those cases and found only a gift card in a 4th. Gift cards are not a form of financial assistance under the program rules. Invoice numbers and ledger entries for the remaining three were documented in HHS as required.

5/ Financial assistance documented in the case file. The auditors incorrectly determined that 5 cases were missing documentation of financial assistance. In three of those cases, no financial assistance was provided. The auditors once again counted gift cards as financial assistance. This was an error. The two remaining financial assistance grants were documented in CARES and Accelerator.

6/ Financial assistance approved. The auditors concluded that in 5 cases Homebase had not approved financial assistance. In 1 of the 5 cases financial assistance was being provided to the client. In the remaining 4 instances, PCS provided documentary proof of the records having been approved.

Home Visits and Habitability, page 17

One page 17 of the report, the auditors state, "*Of the 28 home visits conducted by the providers, 5 homes were determined to not be habitable. However, we found no evidence that the issues relating to 4 of the homes were fixed by the landlord while the clients continued to reside there. These included a case where the case manager observed a rodent infestation, mold or mildew, a water leak and broken windows during a home visit.*"

The auditors' conclusions are once again wholly inaccurate. In all 5 instances the conclusions are premised on a home visit and the failure of Homebase to act on conditions which rendered the apartment uninhabitable. In 3 of the 5 instances, no home visit was made by Homebase, either because it was not warranted or because it was not possible due to client circumstances – in two of these instances the client was referred to HPD. This was appropriate. In 1 case the client was no longer living in the apartment and Homebase was in process of assisting the client transition to a new apartment. In 1 case, the apartment was a NYCHA apartment in which an extermination had recently been performed and in which a judge had ordered NYCHA to conduct the necessary repairs. In 1 case the case notes reflect generally good conditions and that a letter was sent to the landlord requesting repairs.

The following chart indicates the information contained in the case file. This information was provided to the auditors and, once again, disregarded without a legitimate basis for doing so.

Initials	HRA findings
AH	No home visit was conducted or required. The client did not have arrears or need financial assistance and wanted to relocate. He completed a self-assessed habitability form where he noted sanitation issues and a smoke detector, tenant was referred to 311 for HPD enforcement.
TC	The tenant came seeking financial assistance for a move (tenant self-reporting issues with structure, access, air quality, sanitation, heat, and fire safety and was told to report to 311) and was referred to a SEPS provider for a subsidy to move. No home visit was conducted as tenant did not return to Homebase or response to outreach letters after the SEPS referral was made.
ID	Tenant came in seeking a CityFHEPS voucher to transfer due to a sexual assault. The Apartment was visited, and conditions were noted, but the tenant was <u>not living</u> in the apartment at all due to the incident and in the end, it was clarified that she had Section 8 already and she was given a transfer by Section 8.
AA	Tenant lives in a NYCHA apartment. Homebase noted the resident indicated there were issues with roaches although the apartment had recently been exterminated. The doorbell system did not work. This apartment was not uninhabitable, and a judge also ordered that NYCHA needed to repair any issues.
CP	Homebase performed a home visit and noted that there was a leak in the bathroom ceiling and that a staircase needed some repair. The apartment was not uninhabitable. The note finishes with the following: <i>Apartment is equipped with CO1/smoke alarm. all appliances were operable; windows guards were in place. There were no infestations reported. There was an adequate food supply; there are routine extermination services. The heating, plumbing and electricity were all operable. All utilities were in working order.</i> Case manager made note to send a repair letter to the landlord regarding the leak and the stairs.

Clarifications to NYCC Audit Report dated 10/3/19
NYCC Audit on the Human Resources Administration's Monitoring of the Homebase Program-MD18-139A
APPENDIX A

Criteria	Auditor Deficiency Finding			Actual Finding			PCS Notes
	# of cases to which this criteria applies	# of cases where criteria is not met	Percentage of cases with Deficiency	# of cases to which this criteria applies	# of cases where criteria is not met	Percentage of cases with Deficiency	
Intensive Cases should follow the Critical Time Intervention (CTI) Model	7	6	86%				PCS agrees to develop additional ways for Homebase to explicitly document CTI services but without reviewing files in question in person with auditors, cannot verify this finding.
Home Visit	34	6	18%	34	3	9%	Auditors originally found issues in nine cases. PCS provided proof that six were not required, but auditors only removed three
Family with Children cases closed after 120 days	19	6	32%				no issue with this finding
Cases in program over 90 days are reassessed	36	27	75%	36	16	44%	The case notes in CARES do not always use the "assessment" drop-down but the text of the actual note indicates that it is a 90-day assessment
Signed service plan	50	7	14%				no issue with this finding
Income source document	50	4	8%	50	2	4%	Original finding was 5 cases did not have income documentation. PCS showed that 3 cases had a self declaration of income, which is allowable under Homebase rules. The Audit team only removed one case instead of three
Financial Assistance Documented in HHS	15	7	7 out of 15: 47%	15	0	0%	Three cases did not receive financial assistance. One received a gift card, which is billed under gift cards in HHS accelerator and the Invoice numbers and ledgers were provided for the remaining three cases
Financial Assistance Documented in Case File	15	5	5 out of 15: 33%	15	0	0%	Three cases either did not have disbursed financial assistance or received a gift card. The two remaining cases were clearly tracked in CARES and in HHS accelerator. HRA cannot verify that the auditors reviewed the entire case file
Financial Assistance Approved	15	5	5 out of 15: 33%	15	0	0%	PCS provided proof of four records being approved in CARES and one client never had financial assistance

Auditor's Recommendations	Agency Preliminary Response	Responsible Unit	Corrective Action	Target Date
<p>Recommendation 1:</p> <p>HRA should improve its monitoring controls to ensure that it conducts two formal case file review cycles annually and should ensure that the case file review summaries are reviewed for accuracy, sent to the providers timely, and that deficiencies noted in summaries are corrected.</p>	<p>Partially Agree</p> <p>1) Agree re monitoring controls. HPA will establish a schedule for two case file reviews of each Homebase contract for the contract year 10/19 to 9/20 and every year following.</p> <p>2) Disagree that the program shared inaccurate information with the auditors. Auditors demanded draft summaries from the line staff which had not been reviewed by HPA and were never issued to the providers. Please refer to attached Clarification document.</p> <p>HPA will establish a schedule for two case file reviews of each Homebase contract for the contract year 10/19 – 9/20 and every year thereafter.</p>	<p>HPA Program</p>	<p>Establish a case review schedule</p>	<p>Completed-Ongoing</p>
<p>Recommendation 2:</p> <p>HRA should create and disseminate a written case file review policy that indicates, at a minimum, the frequency with which reviews should be conducted, the number of files to be reviewed per provider, how and when the results should be shared with providers, and how providers should document corrective actions taken.</p>	<p>Agree</p>	<p>HPA Program OPPT</p>	<p>Create a Program Monitoring Guide. See attachment-PCS Contract Monitoring Guide 10-7-19.pdf</p>	<p>Completed</p>

<p>Recommendation 3:</p> <p>HRA should not give providers advance notice of the case files to be reviewed.</p>	<p>Partially Agree</p> <ol style="list-style-type: none"> 1) For a selection of open case files – no advance notice will be given to providers. 2) For closed case files – they must request in advance because closed case files are stored off site. 	<p>HPA Program</p>	<p>HPA's case file monitoring procedures and practices will include some case file selection with no advance notice.</p>	<p>Completed-Ongoing</p>
<p>Recommendation 4:</p> <p>DSS should ensure that fiscal audits of Homebase providers are conducted on a timely basis.</p>	<p>Partially Agree</p> <p>DSS agrees in principle that fiscal audits of Homebase providers should be conducted on a timely basis, but we disagree with the auditors' conclusion that this is not already being done.</p> <p>The "Human Resources Administration/Department of Homeless Services Human Service Providers Fiscal Manual" (Fiscal Manual) which is cited in the Draft Report as the source of the audit frequency and completion standards applied by the New York City Comptroller, does not exist. The Human Resources Administration (HRA) and Department of Homeless Services (DHS) have issued separate Fiscal Manuals. This stems from the history of the two agencies as distinct entities. The scope of this audit appears on page 6 of the Draft Report as <u>July 1, 2016 to March 30, 2019</u>. Homebase was moved under HRA from January 1, 2017, so for most of the purported period of review the Homebase Program was monitored by HRA, not DHS. This is reflected in the title of the audit which is "<i>Human Resource Administration's Monitoring of the Homebase Program</i>".</p> <p><u>Audit of HRA Vendor Contracts</u> The HRA Fiscal Manual controlled audit policy with respect to Homebase vendors, from January 1, 2017 to the present. The HRA Fiscal Manual contains no audit cycle and no frequency or completion guidelines for DSS</p>	<p>DSS Audit Services</p>	<p>None</p>	

	<p>OAQA to follow. In selecting HRA vendor audit targets, OAQA relies primarily on programmatic requests and external referrals. This is entirely consistent with both the vendor contract language and with the New York City Comptroller’s Directive 5 (see below).</p> <p>By October 2017, well in advance of the announcement of this audit, PCS and OAQA had agreed to a schedule of audits for the new Homebase vendor contracts for FY2018 and FY2019. This schedule identified 16 contracts held by 7 providers and called for 4 of the Homebase contracts (held by 4 different providers) to be audited for FY2018, and a further 3 Homebase contracts (held by 3 different providers) to be audited for FY2019. It was further agreed that the audits of FY2020 would be selected based on the results of the FY2018 and FY2019 audits. 3 of the 4 FY2018 audits are underway and the 4th is scheduled to begin in November of 2019. All FY2019 audits are scheduled to commence during calendar year 2020.</p> <p><u>Audit of DHS Vendor Contracts</u></p> <p>The three-year cycle relied on by the auditors for finding that OAQA failed to timely conduct Homebase vendor audits is a standard which appears in the DHS Fiscal Manual, and moreover, only applied to the audit of Homebase vendors until January 1, 2017. The DHS Fiscal Manual relevantly provides that: “<i>Over a three-year cycle, it is expected that each Provider will be audited at least once.</i>” Despite the unambiguous language in the manual the Comptroller’s auditors have unilaterally concluded that the word “<i>Providers</i>” really refers to “<i>vendor contracts</i>”, and they have applied this standard in reaching their conclusions in the Draft Report. This is inappropriate on many levels.</p> <p>First, the DHS Fiscal Manual is an <i>internal policy document</i>, and the Agency’s statements concerning what it means and how it is in fact applied, in practice, should be taken at face value unless evidence to the contrary</p>			
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	<p>exists. The auditors have overstepped in concluding that statements by agency representatives are not to be believed. Second, the phrase, “<i>it is expected that</i>”, establishes an aspirational guideline, not a mandatory requirement, and even if this sentence establishes frequency guidelines, it does not create a completion standard. There is no deadline within which the audits “once in three years” must be completed. When considering providers with contracts during fiscal years 2015, 2016 and 2017, the expectation is that one of the three years will be audited. The DHS Fiscal Manual does not require that, for example, the 2015 fiscal year audit must be completed by 2016 or 2017. In interpreting the guidance in this manner, the auditors have arbitrarily misconstrued an internal policy to suit their own conclusions. This runs contrary to Government Accounting Standards.</p> <p>DSS not only meets the standard for auditing DHS <i>providers</i> but strives to audit every <i>vendor contract</i> once in three fiscal years, as circumstances permit. DSS is very concerned with ensuring that an effective audit program exists, not only for the sixteen Homebase contracts but for all DHS vendor contracts. There are approximately 300-400 DHS vendor contracts per fiscal year, and OAOA consistently audits 33% of the total each year. As explained to the auditors, the contract language makes vendors subject to audit <i>at any time</i>. The contracts require vendors to retain documents and to make them available for review for a period of six years. So long as the audits are completed within this retention period, there is no evidence of increased risk or of harm to the Homebase Program or to the City of New York. None was cited in the report.</p> <p><u>New York City Comptroller’s Directive 5</u> According to the Comptroller’s website, Directive 5 “<i>Establishes rules for planning and monitoring audits; identifies the auditing standards that apply to all audits; outlines procedures for procuring the services of independent auditors; and identifies the rules federal agencies have established for</i></p>			
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	<p><i>audits of federally-funded programs.” Directive 5 remains completely silent on both the frequency and timing of audits. Directive 5 has been revised and reissued three times since it was originally developed in 1985, but at no point has the Comptroller seen fit to add frequency or completion requirements. Notwithstanding this fact, the Comptroller’s auditors are now citing DSS for failing to meet both.</i></p> <p>The standard for determining whether to conduct an audit, per Directive 5, depends on whether audits are deemed “Required” or “Discretionary”. Agencies are enjoined under Section 2.1 to “...carefully review the terms of their grants, contracts and all related regulations to determine if an audit is required”. Audits are otherwise discretionary, per Section 2.2, which reads: “...agencies may independently determine that an audit is necessary.” Unless specifically required in the contract, grant or by regulation, the timing and conduct of audits sits entirely within each agency’s discretion.</p> <p>This is not to say that DSS does not make every effort to ensure that audits of vendor contracts are completed as soon as possible, bearing in mind both resources and the number of external factors which invariably impact timing. Each audit target must be audit ready before any audit may be commenced. Pending budget modifications, pending financial close out, legal issues, policy clarifications, are just some of the many things that can delay the scheduling of audits. The procurement process of engaging CPA firms, which involves the assigning and registering of contracts, can also cause delay. OAQA schedules audits as quickly as possible given these constraints.</p> <p><u>DSS Audits of Homepage Vendor Contracts</u></p> <p>On page 12 of the Draft Report the auditors conclude that OAQA failed to complete required audits for the “three-year cycle ending FY2015” in a timely manner “or at all”. As noted at the outset, the auditors have</p>			
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	<p>reviewed documents and reached conclusions that fall well outside the stated scope of audit. As also noted, the auditors have premised their conclusions on an internal policy requirement that the Agency has stated, unequivocally, does not exist. Nonetheless, OQA asked the auditors after receiving the Draft Report to identify the three providers that it claimed were not audited during the “<i>three-year cycle ending in FY2015</i>”. The auditors responded by email dated October 8, 2019 with the names of three providers, with initials “BWI”, “CCNS” and “PI”. According to our records, the contracts of all three providers have been audited during this period, without exception. For BWI, two FY2012 contracts, three FY2013 and two FY2015 audits were conducted. For CCNS, one FY2012 contract and one FY2014 contract were conducted. For PI, one FY2012 contract, two FY2013, and 3 FY 2014 contracts were audited. The audited contracts were not exclusively Homebase contracts, but each of the Homebase providers underwent at least one audit of a DHS program during the three-year cycle ending in FY2015. This meets the expectation stated in the DHS Fiscal Manual.</p> <p>We would like to stress again that the audit program was designed to mitigate risk across the entire DHS vendor population, and not just the Homebase Program. Of the 221 active DHS contracts in place during FY2015, 99 were audited; of those in place for FY2016, 114 of 320 were audited. For FY2017, 120 of 342 contracts have been selected for audit and are pending procurement of CPA firms to begin.</p>	DSS Finance HPA Program	None	
<p>Recommendation 5:</p> <p>DSS should implement and enforce procedures to track the issuance and recoupment of Homebase</p>	<p>Disagree</p> <p>DSS Finance already has these processes in place. The reviewers did not correctly interpret the process and did not review Accelerator, which is the</p>	DSS Finance HPA Program	None	

<p>advance payments, including but not limited to: conducting monthly reconciliations of advance payments to the recoupment records; establishing an advance payment tracker; and reconciling advance payment information from HHS Accelerator and FMS.</p>	<p>system of record despite the fact that Finance offered to host a session to review Accelerator data.</p> <p>Using HHS Accelerator Financials, a component of HHS Accelerator, Agency staff manage budgets, invoices, advances, advance recoupments and payments through the system. HHS Accelerator Financials enable a paperless process and facilitates increased accuracy in accounting. Financial transactions in the system do in fact interface with the City's Financial Management System (FMS).</p>			
<p>Recommendation 6:</p> <p>DSS should ensure that recoupments for advance payments and year end close-outs are made in a timely manner, and that remaining outstanding advances are deducted from close-out invoices in accordance with its Fiscal Manual.</p>	<p>Disagree</p> <p>Finance strongly disagrees that the agency is not currently in compliance with this recommendation and is not actively recouping advance payments and processing year end close-outs.</p> <p>The agency performs an annual closeout of the fiscal year for each contract. The process is the same for both HRA and DHS contracts, and allows vendors to submit Closeout Budget Modification by 9/1 after the close of the City FY or request an extension. The submission of this is the first step in the closeout process. There are four levels of agency review for this budget modification. Typical reviews involve communication between the agency and the providers – justification for certain variances may be requested and adjustments to the Closeout Budget Modification can take place. Once the Closeout Budget Modification is approved, providers must submit their Final Closeout invoices. There are two and three levels of Agency review for invoices that are provided. This review process often includes requests for documentation or justification and subsequent revisions to the invoices if documentation is/is not provided. Once the invoice is approved final, it creates a payment task in Accelerator for DSS</p>	<p>DSS Finance HPA Program</p>	<p>None</p>	

	<p>Finance to issue payment. In order to submit a final closeout (Budget Modification and Invoice), all contract amendments must be registered. Amendments pending registration can cause delays in the ability of vendors and DSS to complete the close out. As stated in the exit conference, for these reasons, when a contract term is ending it is not atypical for the final contract closeout to remain pending for one to two years. This is consistent with policy.</p>			
<p>Recommendation 7:</p> <p>DSS should ensure that modified recoupment schedules are documented and adhered to.</p>	<p>Disagree</p> <p>DSS does ensure that recoupment schedules are documented and adhered to. As mentioned in #5, HHS Accelerator is used to track advances and their recoupment. Additionally, DSS Accounts Payable works continuously with the program areas to follow up with providers on repayment issues.</p> <p>DSS Finance will continue to utilize HHS Accelerator to track advances and recoupments. It is our system of record.</p>	<p>DSS Finance</p>	<p>None</p>	
<p>Recommendation 8:</p> <p>DSS should make every effort to recover the outstanding advance payment amounts for the closed contracts identified in the audit.</p>	<p>Disagree</p> <p>DSS is already in compliance and is actively making every effort to recoup. DSS is reviewing and analyzing the contracts that are closed and were identified in the audit for correctness and accuracy. Once the review is complete, DSS will send an enforcement letter to the providers requesting the outstanding liability to be repaid. If Finance cannot recoup the outstanding balances from provider expenses, demand letters detailing repayment plans will be sent to the providers.</p> <p>This is part of the normal process and while we agree that this should be done, we do not agree that we were not in compliance with our policies and procedures.</p>	<p>DSS Finance</p>	<p>None</p>	

<p>Recommendation 9:</p> <p>DSS should ensure that when more than one advance is given for a contract that the first advance is fully recouped before recoupments are made on the second advance.</p>	<p>Disagree</p> <p>Finance explained the advance payment and recoupment process. Advances are always issued at the beginning of the new contract year, so this condition will always exist if the previous contract year's recoupment is still in progress.</p> <p>Because of the nature of the advance and fiscal year closeout processes, recoupments for more than one advance can simultaneously occur in the same contract. Contracts are budgeted by fiscal year. This condition will occur for all contracts that are running for several fiscal years and incurs advances at the beginning of each fiscal year. Every fiscal year of a multiyear contract is subject to closeout, which does not start until September, well into the next fiscal year of the contract. Outstanding Advances of the prior fiscal year are not finalized until the end of the closeout process. Advances for the new fiscal year that started at the onset in July can have recoupments occurring in September as well. In order to provide required ongoing cash flow and support to our providers, advances can be requested at the beginning of each fiscal year. The standard advance request is 25% of the annual contract budget. As stated in our response to recommendation #6, closeout of the previous fiscal year does not begin until after 9/1. Hence, the remainder of the advance from the previous year is not recouped until the closeout is finalized. These advance amounts and procedures are documented in the Fiscal Manual and the agency adheres to these procedures.</p>	<p>DSS Finance</p>	<p>None</p>	
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<p>Recommendation 10:</p> <p>HRA should adequately monitor providers to ensure that all contractual requirements are met, including that all required documentation is present, CTI is used for intensive cases, required reassessments are conducted, cases are closed timely, and financial assistance is appropriately documented and approved.</p>	<p>Partially Agree</p> <p>HRA disagrees with many of the statements in the report. Please see the attached Clarification document.</p> <p>Nonetheless HRA will make improvements to the monitoring process. PCS will develop new ways for Homebase providers to explicitly document the CTI services provided to clients.</p>	<p>HPA Program</p>	<p>Update the Homebase Sourcebook to include information on documenting CTI services.</p>	<p>October 2019</p>
<p>Recommendation 11:</p> <p>HRA should ensure that the Sourcebook is updated to include all Homebase requirements and criteria, including that a 10-day grace period for closing cases is allowed.</p>	<p>Agree</p>	<p>HPA Program OPPT</p>	<p>Update the Homebase Sourcebook.</p>	<p>October 2019</p>
<p>Recommendation 12:</p> <p>HRA should ensure that providers promptly upload copies of their certified financial statements into HHS Accelerator in accordance with their contract requirements.</p>	<p>Agree</p> <p>Ensure all certified financial statements for FY18 will be loaded into Accelerator.</p>	<p>HPA Program</p>	<p>Upload FY'18 Financial statements to Accelerator.</p>	<p>Completed – Ongoing</p>
<p>Recommendation 13:</p> <p>DSS should ensure that CARES has proper validation rules to prevent clients from being assigned to incorrect funding type, family types, or service levels.</p>	<p>Partially Agree</p> <p>DSS disagrees with the implication that CARES presents any risk to claiming. The process in place for DSS to claim appropriate non-City funds is sound, which is the reason why funding type is irrelevant. CARES is not the system that contains the information that relates to the claiming rules for</p>	<p>HPA Program DSS Finance DSS ITS</p>	<p>None</p>	

	<p>non-shelter programs. There is no risk that the agency is claiming incorrectly, as Finance performs an independent match process.</p> <p>Homebase definitions regarding family type differ from those used for DHS shelter. For example, individuals who are 19 are coded as children for shelter family composition purposes but need to be considered adults for Homebase. This causes a Homebase case correctly enrolled as an adult family to have a case designation as a family with children in CARES.</p> <p>Nonetheless, ITS will determine if adjustments can be made to CARES to follow Homebase business rules regarding the definition of family type. However, we reiterate that this does not cause a claiming risk.</p>	<p>DSS ITS DSS OPPM</p>	<p>Evaluate modifications to CARES to follow Homebase business rules regarding the definition of family type.</p>	<p>December 2019</p>
<p>Recommendation 14:</p> <p>DSS should strengthen its controls over the calculation of the retention data to ensure that the criteria set are consistent, and the figures reported in the MMR are accurate.</p>	<p>Partially agree</p> <p>Agree that the logic for singles returns and the consistent inclusion of advice cases should be changed.</p> <p>An adjustment has been made to the logic for single adults to use a night in shelter rather than an application when looking at returns. Additionally, Homebase advice cases are now included for all case types. The FY19 MMR used this updated methodology.</p> <p>Disagree that the duplicate records are an issue.</p> <p>The duplications identified are instances where there is more than one enrollment for a specific client within a fiscal year. Homebase is designed</p>	<p>OPPM</p>	<p>Update logic for singles returns and the consistent inclusion of advice cases.</p>	<p>Completed- Logic used for the FY2019 MMR</p>

	<p>to allow multiple enrollments if clients need assistance. In these cases, the Agency believes that it is appropriate to evaluate returns for each enrollment separately.</p> <p>The Comptroller's auditors appear to be misinterpreting the Agency's statement on how instances when a client might have more than one shelter entry date are handled. If a client has multiple re-entries to shelter within the year after their Homebase enrollment, the agency's logic unduplicates to just count the client as entering once per enrollment.</p>			
<p>Recommendation 15:</p> <p>DSS should ensure that notes are appropriately added to the indicators in the MMR in instances where the calculations are not using the same criteria and where information is included or excluded for a specific indicator.</p>	<p>Partially Agree</p> <p>Agree that instances where calculations are using different criteria should be noted, but in this case, we believe that no note is necessary given the change regarding including advice cases</p>	<p>OPPM</p>	<p>Advice cases are now handled consistently in the FY 2019 MMR, so there is no need for a note.</p>	<p>Completed</p>
<p>Recommendation 16:</p> <p>DSS should ensure that it maintains the backup level data to support and substantiate the figures reported in the MMR.</p>	<p>Partially agree</p> <p>DSS has previously maintained backup data to support this MMR indicator outside of administrative systems, but we do not believe that maintaining separate records is a universal requirement.</p> <p>Also, DSS disagrees that the provided backup does not support the MMR indicator. The discrepancy in numbers produced by the auditors is from grouping on case type rather than intake location. All the data that was shared with the Auditors accurately reflected the data reported in the MMR.</p> <p>However, as part of updating the logic for the FY 2019 MMR the Agency will not be separately warehousing backup datasets for this indicator outside</p>	<p>OPPM</p>	<p>No action required, logic for the FY2019 MMR has already been updated.</p>	<p>Completed</p>

	<p>of the records in the system of record since the logic is now automated. This is a more efficient and effective process for reporting this indicator since it removes manual steps that were previously part of the process. This is consistent with how the Agency handles other MMR indicators.</p> <p>The agency has moved away from manual processed and prefers to automatically mine data from databases and systems to eliminate human error in data gathering and processing and to eliminate the need for separate case level backup data outside of the administrative data in the system of record.</p>			
<p>Recommendation 17:</p> <p>HRA should clearly document its exception and override policies in written procedures and ensure that the procedures are shared with the Homebase providers.</p>	<p>Agree</p> <p>The Homebase Sourcebook will be updated to include more information on exceptions and overrides. In addition, these updates will be shared with our Homebase providers.</p>	<p>HPA Program</p>	<p>Update the Homebase Sourcebook.</p> <p>Provide Homebase providers with new override and exception policy.</p>	<p>October 2019</p> <p>October 2019</p>
<p>Recommendation 18:</p> <p>HRA should make a determination as to what overrides are allowable and modify its Homebase Source Book to clearly indicate the types allowed and the requirements for approving and documenting them.</p>	<p>Agree</p> <p>The Homebase Sourcebook will be updated regarding override policy.</p>	<p>HPA Program OPPT</p>	<p>Update the Homebase Sourcebook to include override policy.</p>	<p>October 2019</p>

<p>Recommendation 19:</p> <p>HRA should consider tracking the number of clients who return to the Homebase Program after their cases are closed.</p>	<p>Disagree</p> <p>From a programmatic perspective, there is no useful reason for marking someone as a return. Disagree that a return to Homebase indicates any failure to the program.</p> <p>HRA does not agree that clients returning to Homebase is a potential indication of failure on the program's part. On the contrary, if Homebase did not provide a meaningful service to a household, the household would not be returning when a new issue arises. Homebase is serving families who face a formidable housing market and other personal factors that can contribute to repeated risk of homelessness. Also, Homebase serves households on city rental assistance who may need to come back for services around subsidy renewal, rent increase, or changes in income. We encourage households to reach out when they are in need.</p>	<p>HPA Program OPPM</p>	<p>None</p>	
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PREVENTION AND COMMUNITY SUPPORT (PCS)

CONTRACT MONITORING GUIDE

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INTRODUCTION

The administration of contract monitoring is the process of ensuring that providers conform to the contract deliverables, including but not limited to, quality and timeliness of performance, fiscal administration, and accountability. The process consists of a variety of activities conducted throughout the City fiscal year or contract year and/or contract term. Activities may include, but are not limited to:

- Scheduled and Unannounced Site Visits
 - Conduct case reviews
 - Monitor program operations
 - Attend team meetings for sharing information and providing technical assistance
- Fiscal Administration
 - Analyzing contractual performance reports
 - Reviewing provider budgets against the scope of work defined in the contract
 - Analyzing and comparing budgets and spending patterns
 - Reviewing provider expense reports against claims submitted to the Human Resources Administration (HRA)
- Technical Assistance
 - Addressing program issues and needs identified by providers, HRA, and/or oversight agencies.

The underlying purpose of contract monitoring is to identify gaps and deficiencies, which if not corrected, could result in fiscal impacts, failure to provide quality services to the community, and negative reputational effects. Monitoring also allows for providers to demonstrate and share program and client successes. The goal of this guide is to lay out and emphasize the importance of contract monitoring and to establish practice expectation for monitoring.

Contract monitoring provides an opportunity for HRA to see firsthand the work being accomplished by providers. If performed properly, monitoring can be a positive experience that allows HRA and the provider to work together to enhance services provided to NYC's most vulnerable populations. The HRA Prevention and Community Support (PCS) unit's approach is founded on building open communication and cooperative relationships with providers, and utilizes the activities set forth in this guide as an opportunity to not only identify areas for improvement, but also highlight outstanding performance and best practices.

For an electronic version of the Procurement Policy Board Rules, which govern the procurement of goods, services, and construction by the City of New York, please see their page on the New York City website at www.nyc.gov/ppb.

PROGRAM MONITORING

Programmatic monitoring is ongoing periodic reviews that determines if service delivery is consistent with contract requirements. Program monitoring for Homebase contracts may include any or all of the following:

- Reviewing the enrollment reports and other case reporting tracking materials to confirm achievement of goals.
- Reviewing client case records to check on the nature and quality of the services being provided.
- In-person meetings, unscheduled telephone checks, discussing, and observing service delivery staff and others to determine if the services are being performed according to the contract.
- Assessment of client satisfaction via periodic interviews with clients, questionnaires to survey clients or other appropriate techniques determined by the agency.

PROCEDURES FOR ON-SITE REVIEW

PCS will complete two case file review visits per contract year. Each case file review will involve the selection of five (5) to seven (7) cases of the following case types:

- Cases involving Families with Children, Adult Families and Single Individuals.
- Closed cases (Providers will be given advance notice of the cases selected to ensure that the required files are on site.)
- Open cases (Providers will not be given advance notice of the cases selected.)

PCS will also conduct one unannounced visit that will involve a walk-through of the location noting items such as signage, staffing, and accessibility, as well as the equipment and the overall facility. Additionally, this visit may also include a review of open cases and at least one interview with provider personnel will be conducted.

The site reviews will be scheduled in advance of each contract year by July (Homebase contract years span October to September). The schedule will include the site visit dates, the dates by which the staff must complete the assessments, and the date the monitoring letter is due back to the providers (within approximately 30 days of the review).

TRAINING PCS STAFF

Before beginning the case review, the PCS staff member designated as the evaluator should be familiar with the requirements and the design and operation of the program being evaluated. PCS conducts preparatory training sessions with the unit staff to ensure a clear understanding of how to conduct the review and a consistent application of the Evaluation Tool(s) during case review.

Activities that will assist in successful monitoring includes:

- Evaluators meeting as a group to ensure preparedness
- Creating an agenda for team meetings
- Conducting the Program Interview Questionnaire
- Utilizing the Evaluation Tool

CASE FILE SELECTION

The general standard for determining the size of the sample is no less than five (5) to seven (7) cases per contract. Depending on the resources at hand and the scope of the review, the sample size may increase or decrease. Cases may be selected for review by using a random selection method or a planned selection method.

The reviewer may consider adding records to the selection in order to:

- Include a specific record(s), such as:
 - Enrollment types
 - Referral types
 - Levels of services
- Include additional records with the same characteristics. If trends and patterns indicate concerns during the review of the initial selection, the reviewer may choose to expand the sample (e.g., same problem category, same staff person, same activities or other characteristics). This will help determine whether concerns are isolated events or represent a systemic issue.
- Address any compliance concerns or if the reviewer finds substantial differences in terms of size, complexity, or other factors from other projects the contractor has undertaken.

IMPLEMENTATION

There are four general steps for the implementation of the on-site case file review:

1. Notification Email

The Notification Email begins the monitoring process. The email may include the following:

- Confirmation of the date and scope of the review;
- List or description of materials to be reviewed; and
- Specifics of the review
 - Duration of monitoring
 - Staff involved, request for designated program staff to be available
 - Any space requirements.

2. Entrance Discussion

An entrance discussion must be held with key staff identified by the provider to ensure a clear understanding of the purpose of the monitoring visit and answer any initial questions they may have. PCS must make it clear that this is not a punitive exercise, but rather an effort to provide tailored technical assistance, if/where needed. The evaluator must also utilize the Program Interview Questionnaire to become familiar with the design and operations of the program.

3. Exit Discussion

Meet with provider management to provide the preliminary results of the monitoring visit and identify any deficiencies. Allow for the provider to correct any misconceptions or misunderstandings, and if any deficiencies have been identified, allow for the provider to report on any corrective actions that may already be underway.

4. Monitoring Letter

The Monitoring Letter officially addresses the findings of the review, including:

- The specific findings;
- The expected standard (the regulation or provision in the contract/program guide);
- The work improvement plan(s) expected with established deadlines;
- Feedback from staff interviews;
- Positive observations;
- Needed areas for technical assistance; and
- Reminder that the Monitoring Letter must be maintained in the provider's file.

PERFORMANCE MANAGEMENT

This section of the guide is designed to provide guidance for monitoring provider performance in meeting contractual service objectives. The goal of performance management is to actively use programmatic data and monitoring methods to help drive performance. Performance management may include any or all of the following:

- Establish and communicate provider data reporting standards
- Develop internal methods of organizing enrollment of clients and service level data
- Generate analytic reports and ongoing management review
- Share weekly, year-to-date, quarterly and annual reports and inquire on performance
- Work with providers to develop a work improvement plan
- Monitor provider work improvement plans to ensure compliance
- Share best practices and service delivery and outreach techniques among the providers to help promote achievement of service goals
- Provide ongoing technical assistance to the provider

COLLECTING AND ORGANIZING SERVICE DATA

Providers are expected to review scorecard, enrollment, and service data reports. Additionally, providers are expected to share feedback on the progress towards achieving their contractual service goals according to the terms of their contract. Reporting may include utilizing the Client Assistance and Rehousing Enterprise System (CARES) and other agency systems. For special projects, this may also include submitting monthly and/or quarterly reports utilizing an agreed upon format established by PCS in conjunction and agreement with the provider. For reports submitted by the provider, PCS has established a shared drive for saving information received from providers in an effort to help monitor provider performance.

PERFORMANCE REVIEW

Performance reviews include both generating reports summarizing data for a specific time period and management meetings to review the report. The timeline for reports and review should align with the reporting cycle established in the provider's contract. Performance reports are shared with providers to assist with the management of the program. When necessary, PCS will work with providers to develop realistic work plans that are monitored by HRA to ensure compliance. Furthermore, PCS Managers share best practices, service delivery, and outreach techniques among the providers to help promote achievement of service goals.

QUALITY ASSURANCE AND TECHNICAL ASSISTANCE

As part of the contract monitoring process, Contract Managers must routinely run and review the following data reports to ensure data integrity and provide technical assistance when needed:

- Weekly and Year-to-Date Enrollment Reports
- Quarterly and Annual Scorecards
- Service Reports (90-day indicator, 120-day indicator, etc.)

Depending on the monitoring area of concern, providers who are substantially overperforming or underperforming may be required to submit written justification to provide an explanation. Part of the performance review with management, team, and provider is to develop strategies to improve performance.

FISCAL MONITORING

NYC Health and Human Services (HHS) Accelerator Financials provides an electronic process for managing budgets, invoices and payments for HRA's portfolio of contracts. The system facilitates increased accuracy, accountability, and simplifies the payment process between providers and HRA. The system features:

- A standardized budget template
- Increased transparency
- A shared interface to conduct contract transactions
- Improved efficiency for contract and budget management
- Document storage vault for safe keeping and easy access to documents
- Management reporting section for an overview of all expenditures

To ensure proper submission of program budgets and invoices, providers utilize the PCS Homebase Fiscal Guide. The guide provides clear directives to help providers configure, update, and submit budgets and invoices while utilizing all the available resources in HHS without discrepancy.

PROGRAM AREA BUDGET COMPARISON

Once all the provider budgets have been submitted and approved using the standards set forth in the PCS Homebase Fiscal Guide, PCS can compare provider budgets within a program area to identify budget allocation variations (for line-item budgets only). In the event that there are outliers, Contract Managers will reach out to providers to learn more about the provider budget allocation methodology and provide technical assistance if needed.

EXAMINE MONTHLY INVOICES

On an ongoing basis, Contract Managers utilize the following methods to review invoices:

- Examine for cost irregularities, specifically significant spikes in costs that one would expect to be consistent (e.g., rent, certain Other Than Personal Service (OTPS) line-items, etc.).
- Monitor spending patterns in relation to a fiscal year or contract year budget line-item allocation. For example, by the third month of the contract, the provider has already claimed most or all of a fiscal year or contract year allocation to a particular line-item. This would not apply to one-time costs, but to items that are expected to be consistent throughout the fiscal year or contract year.
- Review financial assistance to clients by ensuring that all payment amounts and dates are entered correctly into the system of record (CARES). Providers are required to enter financial assistance requests in CARES, which can be later reconciled. When cost irregularities are identified, and/or concerns are raised by spending patterns, Contract Managers will contact providers for clarification. This information will be taken into consideration during the review and approval process.

EXPENDITURE REVIEW

Once provider invoices have been approved, Contract Managers randomly sample provider invoice expenditures. At the conclusion of the evaluation, the Contract Manager will meet with PCS management to discuss evaluation outcomes, and, with management guidance, a level of fiscal risk is assigned and recommendations for next steps are completed.

Contract Managers may request supporting documentation to be submitted as part of the invoice through HHS Accelerator. Contract Managers evaluate the provider's submission by comparing the supporting documentation to the amount being claimed or the contract goals. Any discrepancy identified will need to be reconciled by the provider prior to HRA approval.

PERFORMANCE EVALUATION

Every year, PCS must complete a Performance Evaluation (PE) for each vendor. These evaluations are completed in the PASSPort system, which is managed by the Mayor's Office of Contract Services (MOCS). The PE is always comprised of three categories, each containing a variety of questions regarding different aspects of the vendor's performance. The three PE categories reviewed by the program are:

1. Timeliness of Performance

- Provider to conduct timely completion of service deliverables in compliance with the contract terms.
- Provider to submit timely requisition through HHS Accelerator in compliance with contract terms.
- Provider to submit timely and reasonable requests for extensions when needed.

2. Fiscal Administration and Accountability

- Provider to maintain adequate records and logs.
- Provider to submit timely payment requisition, invoices and fiscal reports, as applicable, and in compliance with the contract terms.
- Provider to comply with applicable living wage requirements.

3. Performance and Overall Quality of Service/Goods

- Staff will compile and review the results of performance reporting, case file reviews, site visits, and client complaints to make this assessment.

Based on the ratings selected by the evaluator and the category weights defined by the assigned PE Manager in PASSPort, the system will generate an overall PE score and rating for the vendor.